

Chapter 35

U.S. Army Security Assistance Programs

35-1. General

This chapter prescribes fiscal policy and procedures for accomplishing the security assistance mission of the U.S. Army. The Department of the Army (DA) will safeguard its resources to attain and maintain an adequate state of readiness by--

- a. Maintaining an integrated accounting and financial control system for security assistance agreements, ensuring compliance with the Foreign Assistance Act (FAA), the Arms Export Control Act (AECA), as amended, and the International Narcotics Control Act of 1989.
- b. Providing complete accounting support for budget schedules and concepts reflected in the fiscal budget.
- c. Assuring trust fund and pertinent appropriation and working capital fund accounting, reporting, and budget schedules properly interface.
- d. Providing financial planning and cost estimating for foreign military sales (FMS) transactions.
- e. Complying with pricing as prescribed by Chapter 37 and reimbursement policy as prescribed by this regulation.

35-2. Professional requirements

The following knowledge, skills and abilities are necessary to properly perform FMS accounting functions:

- a. Knowledge of OSD, Defense Finance and Accounting Service-Denver Center, Deputate for Security Assistance (DFAS-DE/F), DA and installation level FMS accounting, pricing, and logistical policies, practices, and procedures.
- b. Knowledge of automated FMS accounting systems including the U.S. Army's Program Budget and Accounting System (PBAS); Defense Integrated Accounting System (DIFS); U.S. Army Security Assistance Command (USASAC) Security Assistance Automation, Army (SA3); and, applicable installation accounting systems.
- c. Ability to prepare, review, and analyze FMS financial documents and data to ensure recorded and reported data is accurate and complies with applicable regulations.
- d. Ability to monitor, review, and analyze FMS case data and case execution to provide meaningful advice and assistance to case managers.
- e. Ability to establish and monitor internal control procedures to ensure expenditure authority requirements are met before making disbursements against the FMS trust fund.
- f. Interact with personnel from OSD, DFAS-IN, DSAA, other Federal agencies, DFAS-DE/F, USASAC, TRADOC and the installation activity responsible for logistical execution of case

requirements. This installation activity will usually be called the International Logistics Directorate or some similarly titled organization dedicated to FMS case management. Be familiar with the structure of the logistics organization, its organizational responsibilities, general work flow, automated logistic systems and the financial management information available to the logistician. The accountant's ability to determine the logistical status as well as the financial status of the FMS case is essential to effective case management.

35-3. Responsibilities

a. DFAS-DE/F responsibilities. The Deputate for Security Assistance, Defense Finance and Accounting Service-Denver Center (DFAS-DE/F), under the direction of the Defense Security Assistance Agency (DSAA), is responsible for operating the Department of Defense (DoD) centralized billing, collecting, and trust fund accounting system for the FMS program. In addition, DFAS-DE/F is responsible for DOD FMS policies, plans, and procedures. DFAS-DE/F personnel communicate extensively with Army case managers and representatives of foreign governments in performing the following duties:

- (1) Implementing the DoD Security Assistance Financial Management Program.
- (2) Serves as the central point of contact within DoD for all FMS financial inquiries from U.S. Government activities and foreign governments, and for procedural and operational financial inquiries from DoD components.
- (3) Prepares, reviews, and authenticates all DoD FMS billings, and, calculates and assesses interest due on delinquent debts.
- (4) Maintains a centralized, automated FMS financial data base, the DIFS.
- (5) Analyze FMS Letters of Offer and Acceptance to ensure the adequacy of financial arrangements.
- (6) Operate the centralized system for DoD-wide FMS forecasting, delivery reporting, billing, collecting and trust fund management.
- (7) Ensures adequate interface of DoD-wide logistical and financial data systems.
- (8) Reviews and develops DoD FMS policies, plans, and procedures.

b. USASAC responsibilities. The U.S. Army Security Assistance Command (USASAC), under the direction of the U.S. Army Materiel Command, is responsible for administering the Army's FMS program. USASAC's headquarters and policy functions are located in Alexandria, Virginia. Their operational activities are performed at the Defense Distribution Region-East in New Cumberland, Pennsylvania. USASAC personnel are responsible for performing the following typical duties:

- (1) Receives initial requests for defense articles and

services from foreign customers; establishing the case; and, assigning a central case manager.

(2) Determines the U.S. Army activity logistically responsible for the requested article or service.

(3) Reviews DD Forms 1513 (U.S. DoD Offer and Acceptance) for completeness and accuracy; obtaining necessary approvals; and monitoring case execution from initialization through closure.

(4) Maintains the Security Assistance Automation, Army (SA3) automated logistical system. This system monitors all phases of case execution for U.S. Army administered FMS cases.

(5) Serves as the U.S. Army's liaison with DFAS-DE/F for resolution of case discrepancies.

c. DFAS-IN responsibilities. Located in Indianapolis, Indiana, DFAS-IN is the repository for the U.S. Army's official financial records for FMS case execution. DFAS-IN personnel have the following typical duties for the FMS program:

(1) Maintains the PBAS through which all funding for FMS program case execution is controlled.

(2) Prepares departmental level accounting reports reflecting the execution of all U.S. Army administered FMS cases.

(3) Distributes above FMS reports to DA staff, case managers and DFAS-DE/F.

(4) Manages the U.S. Army's FMS Financial Management Improvement Program.

(5) Participates in the joint DoD development of new FMS accounting and billing systems; and the integration of the centralized DoD system with developing U.S. Army systems.

(6) Monitors financial execution of FMS cases; and providing financial management information to central case managers based on reviews and analyses.

(7) Works with DFAS-DE/F to resolve financial discrepancies and difficulties in case execution.

(8) Monitors, analyzes and, as required, works with MACOM/Installation personnel in resolving financially troubled cases and cases with abnormal balances.

d. Accountant's responsibilities. FMS funds are subject to more stringent controls than appropriated funds. As a result, installation accounting personnel are responsible for these typical duties:

(1) Maintain detail FMS financial records relating to obligation and expenditure authorities, commitments, obligations, accruals and disbursements at the country, case, and line level.

(2) Report monthly to major commands on the financial execution of FMS cases administered.

(3) Reconcile installation records with the DIFS, PBAS, and SA3 data bases.

35-4. Overview

a. FMS program requirement definition. The Department of State is responsible for the overall Foreign Military Sales policy. The Department of Defense is responsible for program administration.

Additionally, many FMS actions are subject to Congressional review and approval. By law, the program must recover not less than the actual value (cost) of providing the item or services.

b. DD Form 1513 (Letter of Offer and Acceptance) process.

(1) The formal FMS process begins when a foreign customer submits a Letter of Request (LOR) for specific defense articles and/or services. The LOR is submitted through established channels to the Service or Defense agency having logistical responsibility for the requested article or service. Upon receipt, the responsible Defense activity assigns a unique three digit case code to the request and begins action to obtain proper approval for the sale. Concurrently, the Defense activity begins compiling price and availability data on the requested article and/or services. From the price and availability data, a DD Form 1513 is prepared and sent through channels to the Defense Security Assistance Agency (DSAA) for coordination with the State Department and Congress, if appropriate.

(2) Upon approval and signature by an authorized U.S. Government representative, and countersignature by the DSAA Comptroller, the DD Form 1513 is forwarded to the foreign customer. It is important to note at this point price and availability information on DD Forms 1513 are the best data available at the time of preparation. The foreign customer is informed through the DD Form 1513 that they are obligated to pay any and all costs incurred by the U.S. Government; even if they exceed the estimates.

(3) If an offer is acceptable to the foreign government, an authorized representative of that government signs the DD Form 1513 and the DD Form 1513 becomes a contract between the U.S. Government and the foreign government. The foreign government sends the signed copy of the DD Form 1513 to the responsible Defense activity. Concurrently, a copy of the DD Form 1513 is sent from the foreign government to DFAS-DE/F at Lowry Air Force Base, Colorado with an initial cash deposit.

(4) DFAS-DE/F uses the signed DD Form 1513 to implement the case in DIFS. Based upon case implementation, obligation authority is made available to the Defense activity responsible for case execution.

(5) Obligation authority is controlled and issued through PBAS. No financial or logistical execution may begin on a U.S. Army case until obligation authority has been obtained.

35-5. Case initiation and execution

Case initiation and execution involves several processes: receiving letters of request; preparing price and availability information; preparing DD Forms 1513; initializing the case in PBAS; obtaining obligation authority; establishing obligations;

executing contracts; receiving requested articles; obtaining expenditure authority; disbursing invoices; delivering requested articles to the foreign customer; preparing financial and logistic information; and, closing the case. The following paragraphs briefly address the areas where accountants are most likely to be involved:

a. Case initialization.

(1) Personnel in the MACOM/Installation's international logistics activity are responsible for receipt of the letter of request, preparation of the price and availability data and preparation of the DD Form 1513. To provide effective management information, accountants must be familiar with MACOM/Installation procedures for case initialization, FMS pricing and accounting policies and objectives, the sources for base prices for FMS goods and services and all applicable surcharges on the DD Form 1513.

(2) After the DD Form 1513 is prepared, the MACOM/Installation Customer Order Control Point (COCP) establishes the case in SA3 in a PN (pending) status. The case is concurrently established in PBAS and DIFS through an interface with SA3. COCP's are offices located in either the Finance and Accounting Office or International Logistics Directorate responsible for controlling SA3/PBAS input. When the case is established, both the net case value and total case value shown on the DD Form 1513 are recorded. The net case value is the total estimated costs for articles and services shown on line 21 of the DD Form 1513. Total case value is shown on line 26 of the DD Form 1513, including estimated surcharges not in the base price for articles and services. Surcharges are for accessorial costs including administrative fees, transportation, and packing, crating, and handling.

b. Funding authorities. After the DD Form 1513 has been approved within U.S. Government channels and been accepted by the foreign customer, the case is implemented in DFAS-DE/F's DIFS data base. Once implemented in DIFS, through an interface with PBAS, the case is converted from a PN (pending) status to an AC (active) status. At this time, an obligation authority ceiling is established in PBAS at 100 percent of the net case value. Each article and service to be provided under the DD Form 1513 agreement is shown as a separate line under the case. After the case has been converted to an active status, USASAC establishes line and requisition values in the SA3 logistical data base. Requisitions are then issued to performing installations. Through an interface, SA3 provides line and requisition data to PBAS. Performing installations can then begin drawing down obligation authority and executing the case requirements. Obligation authority may be either direct cite or reimbursable.

(1) Direct cite. For direct cite obligation authority,

the installation receives an allotment of funds from the FMS Trust Fund and records this at the country, case and line level against appropriation 97X8242. All obligation and disbursement documents will cite the Trust Fund appropriation, country, case and line as the accounting classification. Monthly, accountants prepare status of approved resources reports at the country, case and line level and forward them to the accounts office of the major command responsible for case administration. The accounts office prepares a monthly status of approved resources report that is forwarded to DFAS-IN. DFAS-IN consolidates the monthly accounts office data and forwards a departmental level Status of Direct Cite Allotment report to DFAS-DE/F. Direct cite obligation authority must be used for all new funding issued after 30 September 1986. Only FMS cases for which reimbursable obligation authority exists in PBAS as of 30 September 1986 can use reimbursable funding procedures for additional obligation authority or adjustments.

(2) Reimbursable. For reimbursable obligation authority, the installation in effect has received a reimbursable order from the FMS Trust Fund and records this in the installation records against the performing U.S. Army appropriation. Reimbursement source code COO is used to identify the source of reimbursement as the FMS Trust Fund. There is no direct reporting on the status of specific FMS reimbursable orders; rather, orders, earnings and collections are shown in the installation's status of reimbursement report against the performing appropriation. All obligation authority issued by PBAS is evidenced by a Funding Allowance System (FAS) Document/Fund Authorization Document (FAD), if direct cite, or a Program Allowance Document (PAD), if reimbursable. FASs/FADs/PADs will be included as part of the case files.

(3) Other reimbursables. There are two other reimbursement source codes for FMS reporting that accountants may use--

(a) Reimbursable orders financed by direct cite allotments. Accountants will find there are occasions when the installation providing articles or services for an FMS case financed through direct cite allotment must seek supporting hardware and service from another installation or activity. When this occurs, the activity with the direct cite allotment issues a reimbursable order to the supporting activity. The order cites the FMS Trust Fund Allotment as the source of financing. Upon receipt of the reimbursable order, the activity records the transaction in their accounting records using reimbursement source code FOO. The use of a different source code distinguishes reimbursable orders financed directly by the FMS Trust Fund from those financed by FMS Trust Fund Direct Cite Allotments. Source code FOO, for reimbursable orders, do not require obligation

authority since that authority was pulled as the direct cite allotment.

(b) Below the line costs. In support of some FMS cases, installations may incur costs that are controlled and paid for from a central pool of funds maintained by DFAS-DE/F. Some examples are payments for transportation, packing, crating and port handling charges. In these instances only, DFAS-DE/F reimburses the U.S. Army activity for the costs incurred. These instances must be supported by a reimbursable order with reimbursement source code (RCS) D00. The performing activity cannot draw down obligation authority for these types of charges. The U.S. Army activity performing the service records a reimbursable order received in their accounting records based on actual costs incurred. Below the line costs are recorded in accounting records with reimbursement source code DOO.

c. Obligor FMS funds. Although accounting procedures are different, obligor practices for FMS direct cite obligation authority require the same procedures and controls as appropriated funds.

d. Disbursing FMS funds. FMS disbursement procedures require the same supporting documentation as appropriated fund disbursements with one notable exception; before disbursing officers can pay a voucher citing the FMS Trust Fund, they must obtain expenditure authority (EA) from PBAS. Unlike appropriated funds where obligation and disbursement authority are received simultaneously, disbursing officers must ensure that sufficient funds are on deposit at DFAS-DE/F before a disbursement can be made. Receipt of expenditure authority is evidence to the disbursing officer that the foreign customer has sufficient cash deposited with the U.S. Treasury. U.S. Army disbursing officers must draw down (reserve) expenditure authority at the country, case and line level for every disbursement made against the FMS Trust Fund. PBAS records an Expenditure Authority Issue Document (EAID) each time expenditure authority is reserved. The EAIDs (or a PBAS screen print showing the EAIDs number) will be included in the permanent case file.

35-6. Analysis and reconciliation

Just as U.S. Army MACOMs/Installations receiving FMS funds are responsible for timely and accurate recording and reporting of case execution data, they are equally responsible for ensuring that PBAS, DIFS and installation records are in agreement. Accountants must ensure analysis and reconciliation of the following items throughout case execution.

a. Case values. Net and total case values are established in PBAS when the DD Form 1513 is prepared. The values, however, are not static. They are adjusted up or down as necessary each time a DD Form 1513-1 (Amendment to Offer and Acceptance) or DD Form 1513-2 (Notice of

Modification to Offer and Acceptance) is prepared. A DD Form 1513-1 is issued when there is a change in scope to the basic DD Form 1513. A change in scope is defined as increased quantity of ordered items or services to be provided. A DD Form 1513-2 identifies modifications to the basic DD Form 1513 that are not changes in scope. Examples are, price increases, changes in payment schedules, changes in delivery schedules and deletions of items. Price increases resulting in a total case increase of 10 percent or more require customer-country acceptance. Case files maintained at the installation will contain copies of the original DD Forms 1513 and all amendments and modifications. Periodically, accountants will ensure that case values reflected in the PBAS and DIFS data bases agree with case values reflected in case files. To assist in this reconciliation, two reports are available in PBAS which reflect DIFS and PBAS net and total values, the Utilization Report, and the CLIST. These reports can be obtained from the PBAS ARM and FCC modules respectively. Any differences between DIFS, PBAS or installation case files must be immediately investigated by accountants.

(1) Utilization report. The utilization report is a two-part PBAS output displaying: total case value, net case value, surcharges (Trust Fund amount), DIFS cumulative expenditures, DFAS-DE/F's total case value, DFAS-DE/F's net case value, total obligation authority received, total obligation authority issued, obligation authority available, requisition values, expenditure authority issued, prior year obligation authority, and, current year obligation authority. The data is displayed by country, case and line and is identified to a requisition manager.

(2) CLIST. The case control list is a one-page report by country, case and implementing agency displaying: the DD Form 1513 value, the net case value, cumulative expenditures, obligation authority ceilings, obligation authority available, expenditure authority issued, requisition values, the case manager, and, a telephone number for the case manager.

b. Funding. The MACOM/Installation responsible for case execution must draw down required obligation authority before any execution can begin. The obligation authority should be drawn down "as required" rather than in bulk when the case is activated. Since PBAS is the official record of obligation authority issued, accountants will periodically reconcile installation accounting records to PBAS obligation authority issued. Obligation authority issued as direct cite should be recorded in installation records as allotments received. Obligation authority issued as reimbursable should be recorded in installation records as source code COO orders received. There are three PBAS funding reports available to accountants to facilitate this reconciliation

process: List N, SCORDERS, and the OSD 2060. The paragraphs below briefly describe the content of each report:

(1) List N reflects prior year, current year and total direct cite obligation authority issued by country, case and line. In addition, for nonprocurement appropriations, the report reflects at the country, case and line level; prior year, current year and total reimbursable obligation authority identified to the appropriation carrying the reimbursable order. Current year direct cite obligation authority will be reconciled to the installation's monthly RCS CSCFA-218 report at the country, case and line level.

Current year reimbursable obligation authority will be reconciled to the monthly RCS CSCFA-112/RCS CSCAA-118 report for each performing appropriation.

(2) SCORDERS reflects cumulative from inception reimbursable obligation authority issued for the procurement appropriations identified by source code, budget program and order classification. Cumulative from inception data will be reconciled to procurement Status of Reimbursement reports by appropriation, source code, order class and budget program.

(3) OSD 2060 is divided into two parts. Part A reflects by case, total obligation authority issued in prior years and the current year. Current year obligation authority issued is stratified between direct cite and reimbursable. Part B of the OSD 2060 summarizes obligation authority issued by financing appropriation and direct cite and is stratified between current year and prior years. The report may be used to reconcile net case values to installation records without having to differentiate between procurement and non-procurement reimbursable OA. Both the List N and SCORDERS are available in the PBAS ARM module as a month-end output. The OSD 2060 must be specifically requested at month-end through the ARM module. Any of these reports may be requested at any time through the ARM module. PBAS generates a Funding Allowance System (FAS) Document/Fund Authorization Document (FAD) or a Program Allowance Document (PAD), each time obligation authority is issued. The FAS/ FAD/PAD is the basis for recording funding in installation accounting records and should be part of the case files. Accountants will ensure reconciling of funding in accounting records to funding shown in PBAS before preparing monthly Status of Allotment and Status of Reimbursement Reports. Data will be reconciled by cumulative from inception and cumulative fiscal year to date. Differences will be investigated to identify unrecorded FAS Documents/FAD's/PAD's or erroneously recorded FAS Documents/FAD's/PAD's.

c. Obligations. The PBAS currently has no provision for recording obligations incurred. Through monitorship of accounting records, accountants will

ensure that direct cite obligations incurred and FMS reimbursable orders established for source code COO do not exceed available obligation authority. Accountants will monitor obligations incurred and reimbursable orders established to ensure that the recorded values do not exceed corresponding line values on the DD Form 1513. If obligations or orders do exceed the line values on the DD Form 1513, correction may be required, usually by a modification to the original DD Form 1513. The modification will be prepared on a DD Form 1513-2 by International Logistics Directorate personnel.

d. Payment schedules. When a DD Form 1513 is prepared, a financial annex, with a payment schedule, is included as part of the supporting documentation. Payment schedules are usually prepared in the international logistics activity. They are based on projected outlays for sales from stock, sales from procurement, DoD services and training, administrative charges, accessorial charges and transportation charges. When sales from procurement are planned, factors such as progress payments and termination liability should be considered. Sections 401 and 402 of Department of Defense Manual 7290.3-M, Foreign Military Sales Financial Management Manual, provide additional information on cash requirements and payment schedules. The payment schedule contains two financial categories. The first category represents the initial deposit reflecting an estimate of costs to be incurred from case acceptance until collecting the first quarterly bill from the foreign customer. The second category reflects the estimated quarterly billing amounts after the initial deposit. Since law requires that the U.S. Government not incur a loss in the articles and services, FMS funds must be on deposit at DFAS-DE/F before making any disbursements. Accountants must review financial annexes and compare them to actual case execution to determine their accuracy. Underestimating financial needs delays case execution. Conversely, overestimating financial needs ties up foreign resources unnecessarily and leads to politically embarrassing confrontations. Accountants will identify candidates for amendment or modification to the appropriate case managers.

e. Disbursements. Expenditure authority is required before making any disbursement against the FMS Trust Fund. Therefore, accountants must be familiar with the internal control procedures to ensure FMS disbursement vouchers are identified and expenditure authority is available before making payments. PBAS produces a sequentially numbered expenditure authority issue document identified to a disbursing station symbol number (DSSN) each time expenditure authority is issued. This EA document issue will be attached to the installation's copy of the disbursement voucher. EA number, date received,

and issuing organization will be noted on the installation copy and TFO voucher if the EAIDs document is not available to be attached. Disbursing stations without PBAS terminals must obtain expenditure authority through their major commands. After the expenditure authority has been issued, the expenditure authority issue document number is provided by the MACOM to the disbursing station for inclusion on the disbursement voucher. The DOV number entered in the PBAS/EA pull should equal the DOV number on the disbursement voucher. A copy of the expenditure authority issue document is also transmitted in message format to the disbursing station. Any field activity that disburses FMS funds must insure expenditure authority has been pulled for the accounting month in which the disbursement occurs. On a monthly basis, PBAS will match the EA to the actual disbursements. This comparison will be performed on country code, implementing agency code, case code, line number, general operating agency, DSSN, and dollar amount. PBAS will create four levels of reports to document these adjustments: DSSN, COCP, MACOM, and DA. COCPs will review these adjustments to--

(1) Attempt to resolve problems causing the EA not to be equal to the disbursements,

(2) Verify the EA adjustments cite the proper delivery source code. This adjustment process ensures all expenditure authority, disbursements, and DD Form 1517 reporting are equal for each accounting month.

f. PBAS reports. Two monthly PBAS reports will assist accountants in identifying conditions that need further investigation. These reports are available from the PBAS PRA module:

(1) The Performance to Cash Variance Report (PCVR) identifies FMS cases in which the cumulative work in process performance does not equal cumulative disbursements. Any variances appearing on this report should be researched and corrected by the MACOM. Forward any procedural or systemic changes that could eliminate causes for the variances to the proponent agency of this regulation for potential implementation.

(2) The Over Liquidation Report identifies FMS cases of deliveries to liquidate progress payments reported to DFAS-DE/F exceeding the original progress payments. These abnormal conditions have high visibility. Immediate action to identify the cause of the problem and corrective action are needed to preclude further embarrassment to the U.S. Army. As a minimum, these reports will be reviewed monthly.

g. Other requirements. In addition to the above financial reconciliations, accountants will take an active role in monitoring and analyzing case execution from a pricing and logistical aspect. This will require the accountants to interact and provide advice and assistance to personnel from the Inter-

national Logistics Directorate. The accountant's role in analyzing case execution will include--

(1) Is the case being accomplished on schedule?

(2) Is the case being accomplished within the case value or have DD Form 1513-2's been prepared?

(3) Are goods and services being properly priced to include applicable surcharges?

(4) Are deliveries being reported in a timely manner and are delivered values in agreement with corresponding disbursement values?

(5) Are appropriated funds and miscellaneous receipts being properly reimbursed when required?

(6) Is the case progressing towards closure in a timely and systematic manner?

35-7. Grant Aid-Military Assistance Program (MAP)

a. Using MAP funds to finance Foreign Military Sales (FMS).

(1) Legislation. Before FY 1982, the MAP provided defense articles and services as grant aid. This program was administered under procedures entirely different from those used for FMS. Beginning with FY 1981, the FAA, Section 503(a)(3), gave authority to transfer MAP funds to the FMS Trust Fund (Account 8242). These funds were for merger with country trust fund deposits. The law also states that these MAP funds are to be used solely for payment of the recipient country's obligations. The payment must be for purchases from the U.S. Government made under the Arms Export Control Act. This Act further prohibits financing direct commercial purchases with MAP funds.

(2) Restrictions. The delivery procedures and reversionary rights which applied to FY 81 and prior do not govern procurements financed by MAP funds. Procurement and delivery will be carried out per FMS procedures.

(3) Excess Defense Articles (EDA). Recipients of MAP funds transferred to the FMS Trust Fund are not eligible for the grant of EDA. They may, however, purchase EDA under FMS procedures.

b. Using, redistributing and disposing of materiel.

(1) Overview. This materiel was under a "MAP Order" before FY 1982 or as a result of Section 506(a), FAA, emergency drawdown authority. It does not apply to materiel purchased as a result of transfer of MAP funds to the FMS trust fund.

(2) Reimbursable transfer of excess materiel. Transfer MAP property used for any purpose other than to meet approved security assistance or other DOD requirements, including transfer for disposal, on a reimbursable basis. Use proceeds to reimburse MAP accounts in U.S. Dollars, except where special government-to-government arrangements specify otherwise.

(3) Accessory charges and rehabilitation costs.

(a) Redistributable MAP items. Deliver these MAP items free alongside vessel. MAP will pay for un-

loading from carrier and loading items aboard ship.

(b) Items for return to U.S. Army stocks or disposal. Deliver items for return to stock or disposal free alongside vessel. The major Army command (MACOM) will pay for unloading from carrier and loading items aboard ship for such items.

(c) MAP property shipped via rail or highway. When shipping MAP excess property by rail or highway, the releasing country will ship the property to its border at its expense. The new recipient will pay costs from the border to the country receiving the property. MACOMs will pay costs from the border of the releasing country to overseas storage locations.

(d) Redistributable property sold under FMS. For MAP excess property sold under FMS, the purchasing country will pay all inland carrier, loading, unloading, and ocean costs.

(e) Delivery costs of ships and aircraft. Deliver ships and aircraft per arrangements made between the purchasing and the releasing country.

(f) Packing, creating and handling (PCH) charges. The releasing country will pay PCH charges for--

1. Redistributable MAP property and items returned to U.S. stocks or for disposal.

2. Redistributable property sold under FMS. The purchasing country will pay the PCH charges for redistributable MAP property sold under FMS.

(g) Rehabilitation costs. Rehabilitation costs will be borne by--

1. The receiving country current year MAP program for redistributable MAP property.

2. The MACOM for property returned to its stock.

3. The country purchasing the MAP property under FMS for redistributable property sold under FMS.

(h) Application of accessorial charges. Apply accessorial charges in agreement with Chapter 37.

(4) Disposal of property.

(a) Disposal through Defense Reutilization and Marketing Office. This method requires that funds generated are deposited in the parent MAP account.

(b) Country-to-country special arrangements. This method provides that the MAP recipient country order the disposal of MAP property. Net proceeds of articles furnished to countries after FY 74 will be paid to the U.S. These proceeds will pay all official cost of the payable in the currency of that country. The payment includes all cost relating to the financing of international, educational and cultural exchange activities in which the country participates. Such participation is under the pro-grams authorized by the Mutual Education Cultural Exchange Act of 1961. For items delivered before FY 1975, a waiver that net proceeds be paid to the U.S. may be approved, through channels, by the Defense Security Assistance Agency (DSAA).

c. Section 506 special authority.

(1) Overview. When the President of the United States determines and reports to Congress under

Section 652 of the FAA that an unforeseen emergency exists which requires immediate military assistance to a foreign country or international organization; and the emergency requirement cannot be met under the authority of the Arms Export Control Act or any other law except Section 506A of the FAA; he may direct the drawdown of defense articles from the stocks of DOD, defense services of the DOD and military education and training of an aggregate value not to exceed \$75 million in any fiscal year.

(a) Drawdown and reimbursement. Section 506A provides neither funds nor contract authority. It does not authorize new procurement or contracting in order to provide or replace materiel, services or training directed. It only authorizes the drawdown of materiel from DoD stocks and the provisions of non-contractual services and training from DoD resources for grant as military assistance. The non-contractual and training costs include TDY costs incidental to provision of such services or training. Reimbursement depends upon subsequent U.S. Congressional appropriation action. Recently, the U.S. Congress has opted not to appropriate additional funding to reimburse the costs incurred. Activities replacing materials furnished must do so either from other available direct mission funds in the case of procurement and operation and maintenance, or pass the costs on to other customers through the price adjustment procedures authorized for revolving funds.

(b) Presidential determination. If an emergency is identified, the Department of State will write a determination. When signed by the President of the United States, it authorizes DoD to furnish up to a specified dollar value of military assistance to the country specified in the determination.

(c) DOD implementation. The Defense Security Assistance Agency (DSAA) provides implementing instructions to the appropriate military department identifying requirements and dollar ceilings.

(d) Military departments implementation. The military departments are then responsible for (i) drawing down the specified articles, services and/or training from DoD assets, (ii) submitting programming data to the DSAA 1000 system, (iii) reporting deliveries to DSAA and providing guidance to implementing activities as to the organizational responsibilities and pertinent DoD appropriations, funds or accounts that may be reimbursed for completed drawdowns.

(e) Orders. DSAA issues unfunded Military Assistance Program (MAP) or International Military Education and Training (IMET) orders to the appropriate military department citing basic symbol 1080 or 1081 and limit 004. The MAP and IMET order provides a detailed accounting of articles, services and training and is the basis for any

reimbursements authorized by the U.S. Congress.

(f) Dollar ceiling. DSAA is also responsible for monitoring the dollar ceiling levels (\$75 million each fiscal year) to insure that funding authorizations are not exceeded. There is no legal authority to either exceed the dollar value specified in the Presidential determination or to reimburse the implementing agencies for any such excess.

(g) Authorized transportation. DoD dollars may not be used to pay contractors or commercial vendors for commercial transportation. However, the use of the Defense Transportation System or Special Assignment Airlift Mission (SAAM) is authorized.

(2) Responsible organizations. The primary U.S. Army organizations involved in the Section 506A process include the following.

(a) Director for Security Assistance, Office of Deputy Chief of Staff for Logistics. The Director authorizes U.S. Army's implementation; reviews the impact of the implementation on U.S. Army's readiness and appropriateness of materiel, services and training for the receiving country; tasks USASAC and the Security Assistance Training Field Activity (SATFA) to implement the request.

(b) DFAS-DE/F is responsible for development and promulgation of policies, procedures, and systems relative to accounting, costing, and pricing for Section 506A activity.

(c) Office of Deputy Assistant Secretary of the Army (Budget), (SAFM-BUO-C) receives the unfunded MAP order from DSAA and forwards copies to the U.S. Army's Fund Control Officer at U.S. Army Finance Command (USAFINCOM) and the responsible MACOM.

(d) MACOMs. These commands are responsible for providing the materiel, services and training specified in the unfunded MAP order.

(e) U.S. Army Security Assistance Command (USASAC) and the Security Assistance Training Field Activity (SATFA). These commands implement the program and provide delivery data to DSAA.

(3) Financing technique. Section 506A activity is authorized by the Defense Security Assistance Agency through Military Assistance Program or International Military Education Training unfunded orders. These unfunded orders authorize the initiation of the requisition process. The unfunded orders cite the appropriate fiscal year and basic symbol for either MAP (*1080) or IMET (*1081) and limit .0004 to indicate that it is unfunded. U.S. Army will not be reimbursed for filling the unfunded order unless specifically authorized by DSAA. Activities within MACOMs filling unfunded orders will maintain an accurate record of all transactions.

(a) Use of direct mission resources. Activities filling Section 506A orders are not authorized to record reimbursable orders or earnings. Nor are they authorized to augment funds to replace the services

or materiel provided. Therefore, financing the costs incurred by consumer funds (for example, OMA) or replacing the materiel financed with consumer funds, must be accomplished with direct mission resources. Should the U.S. Congress authorize appropriated monies to replace the lost services or materiel, the instructions shown in paragraph (9)(b) below will be followed.

(b) Orders from procurement appropriations. Activities filling Section 506A orders with procurement appropriation financed inventories will record a memorandum order classified as 'ES', meaning emergency support. The 'ES' classification is for memo purposes only and does not augment procurement appropriation funds. If the inventory provided under the Presidential determination is to be replaced, direct funds must be utilized. Should the U.S. Congress later appropriate the funds, the procedures described in paragraph (9)(c) below, will be followed.

(c) Orders from the Defense Business Operations Fund-Supply Management Army (DBOF-SMA) and Depot Maintenance Army (DBOF-DMA). Activities filling Section 506A orders from the DBOF-SMA and DBOF-DMA are not authorized to record reimbursable orders received. Rather, the items provided will be treated as transfer without reimbursement. Should the U.S. Congress later provide funds to reimburse the costs incurred, the procedures specified in paragraph (9)(d) will be used.

(4) Transportation costs. The Defense Transportation System will deliver Section 506A items. Those activities making up the Defense Transportation System include the Military Traffic Management Command (MTMC), the Military Airlift Command (MAC) and the Military Sealift Command (MSC). U.S. Army appropriated funds will not be used to reimburse these activities for movement of Section 506A items. As with any other DOD activity, these agencies will absorb the costs associated with the movement. Return any bills received from the transportation operating agencies for these items without payment.

(5) Billings from other agencies. The requesting U.S. Army activity will pay Non-Department of Defense Federal Agency billings (for example, General Services Administration) received in conjunction with Section 506A requests. However, billings from other Defense supplying or servicing activities (for example, U.S. Air Force, U.S. Navy or DLA) received in conjunction with Section 506A requests will be returned unpaid.

(6) Other billing information. In filling requisitions under Section 506A, activities must ensure that they use assigned codes to indicate that these are non-billable transactions in support of the specified country. Exercise caution to ensure no billings and collections are made through interfund. Activities

receiving DoD interfund bills for Section 506A activity should suspend them and seek credit from the seller.

(7) Accounting. Activities providing materials or services under Section 506A must maintain accurate and timely records of goods and services provided in the event reimbursement is later approved. Detailed records must be kept by order number, country, record control number and worksheet control number.

(8) Pricing. Price Section 506A materials and services transfers using grant aid rules in Chapter 37. Prices for training are based on the IMET rules identified in Chapter 37.

(9) Reimbursement. The U.S. Congress may appropriate money to the Military Assistance and International Military Education and Training Programs to reimburse the DOD appropriations for costs incurred in conjunction with Section 506A activities. If the U.S. Congress does act and DSAA does authorize reimbursement, the following procedures will be used:

(a) MAP and IMET. The DSAA will provide current year direct MAP and IMET funds to the Army through an SF 1151, Nonexpenditure Transfer Authorization. The SF 1151 must be supported by an Allocation of Obligation Authority from DSAA to U.S. Army showing the funds as limit .0005, indicating that it was funded Section 506A authority. The Office, Deputy Assistant Secretary of the Army (Budget), (ODASAB), allocates the funds received to the U.S. Army Materiel Command (AMC). AMC in turn, will suballocate the funds to USASAC. USASAC will allot the funds to themselves, obligate and disburse the monies received for current and/or prior Section 506A actions. USASAC would also process the collection for each affected appropriation using the procedures outlined below.

(b) Operation and maintenance. For the OMA account, USASAC will process an open allotment collection to OA 20 at DFAS-IN. The collection would cite the current year OMA appropriation, if authorized by the U.S. Congress, reimbursement source code G00 and the AMS code designated by the appropriation sponsor. Mail a copy of the certified collection voucher to the Director, DFAS-IN, Directorate of Accounting, ATTN: DFAS-IN/AB, 8899 East 56th Street, Indianapolis, Indiana 46249-1316. The voucher will indicate that the collection is for reimbursement for materials and services provided to the specified country under Section 506A. Upon receipt of the certified voucher and a copy of the Allocation of Obligation Authority from DSAA, OA 20 will establish current year OMA source code G00 automatic reimbursable orders and earnings in an amount equal to the collection. In addition, OA 20 will establish reimbursable obligations and disbursements in the amount of the order. Credit direct obligations and refunds to the same AMS codes cited for the

corresponding reimbursable obligations, which will make the funds available for withdrawal by the appropriation manager.

(c) U.S. Army procurement accounts. If authorized by the U.S. Congress, USASAC will process a transaction for others (TFO) collection crediting the AMC subordinate activity providing the Section 506A support. The collection will cite the year current at the time collection is made, and the basic symbol that provided the Section 506A inventory. Upon receipt, the AMC subordinate activity will establish a reimbursement source code G00 order and earning, equal to the collection. To execute the reimbursable authority available as a result of the order, the subordinate activity's customer order control point draws down funded reimbursement authority through the PBAS order control module. The appropriation sponsor should be aware of any Section 506A funding that may be pending in the U.S. Congress and ensure that budget plans include obtaining sufficient funded reimbursable authority to cover the contingency.

(d) DBOF-SMA and DBOF-DMA. Reimbursement procedures will be similar to those used for OMA except that USASAC will process a TFO collection to the DBOF activities (limits) that provided the support under Section 506A. The individual commands receiving collection will establish reimbursable orders and earnings in reimbursement source code G00, in amounts equal to the reimbursable collection. Normal accounting and reporting procedures will apply.

(10) Information retention. MACOMs or their designees (for example, SATFA and USASAC) must maintain informal records for the values of all materials and services provided under Section 506A. If reimbursements are made sometime in the future and reporting is required, as a minimum, retained records must show the country, the generic code and the dollar amount. Information from these records may be required by DFAS-IN to support the reimbursement.

35-8. International Military Education and Training (IMET) Program

a. Introduction. USG provides for military education and training on a grant basis to military and related civilian personnel of friendly countries. Such training and education may be provided through:

(1) Attendance at military educational and training facilities in the United States (other than Service academies) and abroad.

(2) Special courses at schools and institutions of learning or research in the United States and abroad.

(3) Observation and orientation visits to military facilities and related activities in the United States and abroad. In this chapter, the term Continental United States (CONUS) excludes Hawaii. The term United States includes both Alaska and Hawaii.

b. Policy constraints requiring DSAA approval.

(1) Do not fund foreign language training in the IMET program.

(2) Requests which include IMET program funds to support attendance at the Combined Strategic Intelligence Training Program (CSITP) must be justified. Send information copies to DSAA and headquarters (HQ) U.S. Air Force (USAF).

(3) The DSAA must approve students for training in the U.S. for not less than 8 weeks total duration if all or part of the overseas travel is paid by IMET. If the host country elects to fund roundtrip transocean travel, no DSAA approval is required. Do not consider mandatory CONUS personnel processing or English language training as part of the 8-week requirement. This limitation does not apply to orientation tours (OTs) or general/flag rank related courses conducted by the Defense Resources Management Education Center or those courses conducted by the U.S. Army School of the Americas (USARSA).

(4) Do not use IMET funds to finance a DISAM Mobile Training Team (MTT). IMET funded foreign attendance at DISAM is authorized under two conditions:

(a) When no part of the overseas travel is paid by IMET;

(b) If all or part of the overseas travel is paid by IMET, each funded student must be scheduled to attend other related courses to ensure at least 8 weeks of training duration in CONUS.

(5) Correspondence courses are not eligible for IMET funding.

(6) Obtain training aids and materials other than English language materials through Foreign Military Sales (FMS) channels. Requests for exception to this policy will be considered on a case-by-case basis upon receipt of complete written justification. The justification must include statements as to why the provision of training materiel under the IMET program is necessary, why it is in the U.S. Government interest, and what is the impact on the country training program; that is, specific courses and training that will be deleted and how this training will be accomplished. Exceptions will be granted only on a one-time case-by-case basis.

(7) In principle, do not use IMET funds for excessive high cost training. High cost training is defined as any education or any single course of training with a tuition cost of \$25,000 or higher. However, selected high cost training will be considered on a case-by-case basis by DSAA when justified, depending upon the training requested, the state of development of the host country, and within an overall balanced program.

c. Requests for waivers.

(1) Submit requests for waivers to the above constraints through the MACOM to DSAA as soon as

the requirement of such training is known. Include complete justification for the training and, except for Ambassadorial certification for OTs, a statement of security assistance organization (SAO) chief concurrence. Address requests to DSAA plans/TO&MD and the Unified Command as joint action addressees. DSAA will respond following receipt of Unified Command recommendations(s).

(2) Training program lines requiring approval by Military Departments (MILDEPs) will be programmed with the appropriate waiver code in the DSAA waiver (record position 58) of the "4" or "Q" records. If approved, MILDEPs will authorize the requested training and include an "A" in record position 57 to signify approval. The waiver code in record position 58 will be a permanent entry and maintained for historical purposes. Training waivers approved by MILDEPs at the Unified Command Workshop may be coded "A" in record position 57 by the U.S. Army.

d. Fifth-quarter training. To improve course scheduling flexibility, training commencing between 1 October and 31 December may be funded by either the preceding or current fiscal year program, providing a fifth quarter in which to implement training in a given fiscal year. Program fifth quarter training with a "5" in record position 70 and price at budget year prices.

e. Transportation. It is DoD policy to encourage foreign countries to assume the cost of transportation and living allowances for their students so that IMET funds are maximized to permit larger numbers of students to participate in the program.

(1) The program will not pay travel costs of trainees traveling within their own country.

(2) SAOs assigned to countries which have national flag carriers with routes to or a point in route to the United States, will, when possible, obtain agreement from the host countries to transport their respective trainees on such carriers at no cost to the United States.

(3) Travel between home country and the training center for those international military students provided transportation by the U.S. Government will be the most direct route except as specified below.

(a) International Military Students (IMs) are authorized to travel by MAC aircraft. Transportation of IMs, including those whose country elects to pay the cost of the transportation, will be at common user rates.

(b) Travel to and from the United States to the fullest extent feasible will be by transportation (MAC). When the use of transportation for the entire trip does not permit the trainee to meet course or class convening dates, combinations of U.S. commercial air or surface (tourist class) and Government transport will be used. When this combination has been used, transportation for the return travel to the home country will be utilized to the fullest extent

possible. If a U.S. flag carrier is not available, the joint travel regulation (JTR) requires a certificate of nonavailability.

(c) Transportation to and from training installations within the United States usually will be by surface common carrier or commercial aircraft. Travel by privately owned vehicle (POV) may be authorized except in those instances when it would not be in the best interests of the U.S. Government. Reimbursement for travel by POV will be as specified in JTRs and the Joint Security Assistance Training (JSAT) Regulation.

(4) U.S. Army activities will fund transportation except from countries which the United States has reached agreement for such countries to pay transportation expenses.

(5) Do not provide transportation for dependents of trainees. If the trainee elects to bring his or her dependents to the United States (or to an overseas training installation), he or she may be allowed the cost of the transportation to which they are entitled as prescribed in their invitation travel orders (ITOs) in order that they may travel with their dependents. When this election is made, the student will be encouraged to utilize the U.S. flag carrier to the maximum degree possible. In these instances, reimburse the student for the lower travel costs as follows:

(a) The MAC tariff rate, if MAC transportation would have been the mode utilized through arrangements, or the actual cost of travel.

(b) Category Z (commercial transportation) rate or the actual cost of travel.

(6) The trainee or his/her government must pay round-trip transportation costs to his or her homeland on emergency leave, if they will return to the U.S. to continue training.

(7) When a trainee is permitted by his or her government to deviate from the most direct route to visit other countries, sponsorship terminates at the point and time of deviation. Further, should a trainee elect to remain at a point in route to his or her homeland beyond the time normally required to make travel connections, funding of allowances during that excess time is not authorized. Students who do not adhere to scheduled return flights will not be the responsibility of the U.S. Government.

(8) Accommodations on installations provided to international military students (IMS) in route will be commensurate with those provided personnel of equivalent grade.

(9) SAOs responsible for managing an IMET program for a country in which it is not resident may program IMS transportation to/from that SAO for briefing/debriefing of IMET IMS, so long as there is no U.S. representation in the country of the IMET student that could provide the service and when requested by the Ambassador. This does not apply

for cost sharing countries.

f. IMET living allowance. The IMET living allowance is a standard rate, established for travel status, school, or training area, equally applicable to all countries. It is intended to cover an average cost differential of the trainee living away from his or her home station. It is not a substitute for normal compensation. Responsibility for timely payment of sufficient overall compensation to allow for decent living standards and effective completion of the training rests with the trainee's country. DOD policy encourages foreign countries to assume the cost of all living allowances to better utilize IMET funds to enroll more students for training.

(1) Trainees from countries which do not pay similar allowances are entitled to living allowances in a travel status to include the day of departure from home country through the day of arrival at their first training location. Living allowance in training status commences the day after arrival at training location. Living allowance in a travel status resumes the day of departure from the last training location and terminates the day of arrival in home country, excluding leave period authorized by trainee's government following termination of training or any unauthorized delay. In no case will the program pay travel costs of trainees traveling within their own country.

(2) Trainees whose transocean travel costs are paid by their own government are entitled to living allowances in a travel status. This includes the day of departure from home country through the day of arrival at their first training location.

(3) A living allowance will be programmed for all trainees in a training status, unless otherwise directed. For programming purposes, a standard factor for officers and enlisted personnel will be used. It assumes that quarters are available, but dining is not available for officers; quarters and dining are available for enlisted personnel. For enlisted personnel, do not pay the full entitlement directly to the trainee. Pay enlisted personnel a reduced stipend each week for the purchase of personal items of health and comfort. Pay the balance for reimbursement for laundry, maid fees and subsistence. When it is known in advance that quarters or food service are not available, use the appropriate factors in table 35-1 for programming. When it is determined that dependents are authorized to accompany trainees (that is, those attending selected courses as indicated in note 4 of table 35-1) use the "with-dependents" rate.

(4) Living allowances are not authorized for-

(a) Periods of unauthorized absence from duty.

(b) Excess travel time not authorized by the administrative authority of the MILDEP concerned when proceeding by other than transportation.

(c) Periods of delay not in connection with training,

except for hospitalization or outpatient care.

(d) Trainees whose country assumes the payment of all living costs.

(e) Periods of training conducted in the home country of the trainee, except for Panamanian IMET students attending Panama Canal area military schools (PACAMS).

(f) Periods of leave for individuals on OTs.

(g) Periods of leave authorized by trainee's government following termination of all training courses.

(5) Leave with living allowances may be granted within CONUS--

(a) During authorized holidays,

(b) During periods between consecutive courses.

(c) During periods of delay while awaiting transportation at port for departure to home country.

(6) Advance payment of living allowances, not to exceed \$100, may be made to trainees at the port of entry of first training location for U.S. trainees and at the first training activity for overseas trainees. The TRADOC Security Assistance Training Field Activity (SATFA) may authorize advance payment of allowances which may accrue during remaining authorized periods following the termination of training. Collect all outstanding advances on the final travel settlement voucher filed by the IMS.

(7) Submit vouchers for settlement of outstanding entitlements for IMET students through the SAO to the nearest U.S. paying agent for payment. Pay the trainees in local currency at the authorized exchange rate no later than 15 calendar days upon return to country. If it is determined, upon submission of the final travel voucher by the SAO in country, that an IMET trainee who has departed the CONUS or overseas training activity and was overpaid, do not attempt to collect the overpayment from the trainee. The SATFA will determine if a funding adjustment by an IMET order is necessary for the Worksheet Control Number (WCN) series concerned.

g. U.S. Army School of Americas (USARSA) guest instructor costs.

(1) School costs. Include cost incidental to the use of international guest instructors in the operations of each school and not in course tuition costs. See Chapter 37.

(2) Shipment of household goods from Panama Canal area to their home country is authorized for Latin American guest instructors who have completed a tour of duty at USARSA. AR 12-15 contains the weight allowances. Shipment of household goods in excess of authorized net weight will be at the expense of the guest instructor or his or her government. Shipment will be by surface common carrier. Air freight may be used only when surface common carrier is not available.

h. Medical costs. A factor of \$35.00 per student training line (exclusive of orientation) is authorized for

programming purposes under generic code NE (MASL IIN 365003/365004) for medical treatment in facilities for IMET students. Use funds for costs such as burial expense or other student support costs under generic code N7E on a case-by-case basis only after DSAA approval.

i. Additional guidance. The Joint Security Assistance Training (JSAT) regulation (AR 12-15) provides information for the development of training programs.

j. Execution agency codes. Use the execution agency identifier codes to identify the agency responsible for providing the service, the funded command or agency, and the school or training activity at which services are expected to be performed (see table 35-2).

k. Submission of program data. Planning-year, budget-year, and current-year and all prior-year training requirements under IMET will be recorded in the DSAA Master File. Training data for these programs will be maintained current by continual updating by the SAOs.

(1) SAOs will submit initial budget-year requirements data and all later changes directly to the SATFA with information copies to DSAA and the unified command. The SATFA reviews submissions for availability of the training requested and transmit requirements to DSAA.

(2) The SAOs will submit final current-year program changes (increases or additions) to IMET program requirements to the Army in proper format no later than 5 August. These program changes must arrive in DSAA not later than 15 August to be considered during the end-of-year closeout of that program on 30 September. Changes justified only on the basis of urgent military necessity will be considered after the 15 August cutoff date provided there is sufficient time to process the change and obligate the funds by the end of the fiscal year.

(3) As a minimum, submit the data in tables 35-3, 35-4, and 35-5 to the U.S. Army when requesting and programming training. Enter the country, program (IMET), program year, and WCN, when known, in the message subject line.

(4) Data submission feedback. See Chapter 15, section 1502, and Appendix D, DOD 5105.38-M for description of reports (AUTODIN and hardcopy) provided to MILDEPs and for additional data element definitions.

l. Cross-service training. Cross-service training is a training series for an international student provided by more than one MILDEP.

(1) Training in schools of another service. When a student from one foreign military service is selected for training exclusively within schools of another U.S. military service, the MILDEP providing the training will request and administer the training.

(2) When a student is selected for training involving

courses of more than one MILDEP, the MILDEP providing the majority of the training will program the training. Consider number of weeks of training as opposed to number of courses (ELT excluded).

(3) When OTs are to U.S. military installations of more than one MILDEP the MILDEP corresponding to the MILDEP of the trainee(s) or the service having predominant interest will program and administer this training.

m. Implementation. Program implementation and the movement of trainees to training facilities and activities is authorized only after IMET orders, issued by MILDEPs; or, program directives, or other specific approvals which are issued by DSAA. Such orders, directives, or approvals are required before the issuance of ITOs. Each MILDEP should generate appropriate funding documents to subordinate commands and training activities as required.

n. IMET orders.

(1) The term "IMET Order" describes the document issued by MILDEPs which authorizes and directs the furnishing of military training to designated IMET recipients. It also identifies the fund source of each program line. For example, FY 1993 funding is indicated by a "3" in column 71 to indicate funding from the 1993 appropriation.

(2) IMET orders will be issued for newly funded lines and changes to previously funded lines. Additions as a program line in "4" record format including RCN. Show a deletion of a previously funded line as a single entry. Identify it by a "program year" and previous IMET Order number to the right of the program data under the heading "IO-AJ". Identify a change to a previously funded line with a two-line entry. The first entry reflects the funding authorized in a prior order and shows the order number and year issued under the "IO-AJ" heading. The second entry shows the revised line and is identified by a blank in the "IO-AJ" column.

(3) Procedure.

(a) A separate IMET Order will be issued for each country or activity, and the IMET Order number will include the appropriate country/activity code.

(b) The number assigned to IMET orders and amendments thereto includes the program year, implementing agency, country/activity code, and a two-digit sequential number.

(c) Identify by sequential number 00 the initial IMET order issued for each country or activity for a given program (fiscal) year. Issue subsequent IMET orders for the program year as amendments to the initial IMET order and number 01 through 99, followed by alpha-numeric characters, as necessary.

(4) The recipients of an IMET Order and associated fund allocation are responsible for implementation of the order. This includes accounting and fiscal reporting, as prescribed by this regulation. The implementing agency will be identified in the IMET

Order number. IMET Orders for training program lines are issued to the MILDEP providing the training, except in the case of cross-service training.

(5) SAOs will be required to do two things to support the decentralization of IMET funding procedures:

(a) At the Training Program Management Review (TPMR), provide a service breakout of the IMET program based on budget year figures, then provide the Unified Command an update based on actual country allocation at the beginning of the fiscal year, and

(b) Adjust the breakout as needed during the year. Upon receipt of country allocation, SAOs should provide Unified Commands of the service breakout information for forwarding to DSAA and the MILDEPs. SAOs that need to adjust the service breakouts during the year should so advise the MILDEPs by message, FAX, or IDSS E-Mail with information copy to the Unified Command and DSAA identifying the affected programs by WCN and dollar amount.

o. Implementation instructions for the invitational travel order for International Military Students (IMS), DD Form 2285.

(1) The invitational travel order is the basic document for all training provided to IMS under security assistance training program (SATP) sponsorship to provide recognition of the status of the IMS, and the applicable privileges therein.

(2) DD Form 2285 is the only authorized document for SAOs to use for IMS entering the U.S. training under the FAA of 1961, as amended, and AECA. Do not alter or shorten this form. If country desires, attach a language translation to the DD Form 2285.

(3) The ITO is the controlling document for authorized training, terms, conditions, and privileges. It is the basic document used for accounting and guides the appropriate agencies in determining which support is payable and which is not. The SAO is responsible for preparation of the ITO, in accordance with the guidance in this chapter, the MILDEP regulations and the instructions below. When all prerequisites have been met, the SAO will issue individual ITOs for each IMS.

(4) Instructions for completing the ITO are included in the Joint Security Assistance Training Regulation (AR 12-15).

p. Specialized training. This section provides guidance and policy on training other than that provided in formal courses of instruction in CONUS.

(1) On the job training (OJT) normally involves follow-on technical training devoted to practical application conducted after attendance at a formal course. The country plans this training in advance and includes detailed requirements for training in specific areas of interest and on types of materiel used by the country concerned. OJT conducted

independently and not with formal courses of instruction will be authorized in the U.S. only when no course covering the desired training is available. Provide OJT in overseas schools and installations under policies established by the Commander of the Unified Command concerned.

(2) Observer training is training during which the student observes methods of operation, tech-niques, and procedures as a medium of instruction. Observer training is not related to a formal course of instruction although it sometimes supplements or follows a student's formal training. Observer training will be authorized only when no course covering the desired training is available. In addition, certain observer training explicitly excludes "hands on" training. For example, foreign personnel enrolled under medical observer training will be prohibited from actual hands on patient care.

(3) Mobile training teams (MTTs) are established under budget project or generic code N20, they are composed of MILDEP personnel on temporary duty to train foreign personnel.

(a) Use of MTTs solely for their apparent cost benefits risks detracting from accomplishment. Further, it creates the false impression that MTTs are the best training option and IMET is the only funding option. Make every attempt to provide MTTs through FMS rather than IMET.

(b) Do not use IMET to fund MTTs from DOD schools. MTTs are implemented by the MILDEPs concerned and may be drawn from service resources in the United States or overseas, as necessary. The U.S. Army's point of implementation is the Security Assistance Training Management Office (SATMO), Fort Bragg, North Carolina, with the funding through HQ TRADOC, Fort Monroe, Virginia.

(c) Subsistence, per diem, and transportation. See Chapter 9.

(d) Program MTTs using generic codes N2A-N2V. Refer to DA Pam 37-100-FY for further definition and breakdown of these generic codes.

1. Indicate duration in weeks and number of team members. Include transocean travel (round-trip), in-country travel, station and travel per diem allowance, CONUS travel and team orientation, official baggage (including excess, if justified), and salaries of DOD civilians in cost of teams.

2. Compute per diem allowance costs during TDY travel outside CONUS according to rates shown in current Joint Travel Regulations (JTRs) for military personnel. Use the rates shown in current Standard Regulations, Government Civilians, Foreign Areas (published by the Department of State) for civilians.

3. Compute cost for team members at an estimated rate including cost of commercial air transportation, official baggage (not over 150 pounds), and per diem.

4. Compute cost of teams furnished from overseas

using commercial air (tourist rate) transportation, per diem, and excess baggage.

5. In addition to the factors above, allow \$15 for each person per week to cover overseas in-country travel if the actual cost is unknown.

6. When a team requires official baggage exceeding 150 pounds or five pieces of baggage for each person (84-pounds excess), allow \$150 overseas round-trip for each person. Obtain cost estimates for team baggage that exceed 150 pounds or five pieces of baggage for each person from the MILDEPS concerned before programming.

7. Program a joint MTT using the appropriate Military Articles of Services List (MASL) line of the MILDEPS having the predominant number of members. If a balanced team, use the MASL line of the MILDEPS counterpart to the requesting foreign country service.

8. When programming MTT requirements, the following procedures apply.

(aa) Team member costs. Reflect as "unit cost" and program in record positions 36-43 of the country program all team member costs including predeployment orientation/training costs. Do not make entries in record positions 51 through 56.

(ab) Training aids. Program training aids (including PCHT) separately in the country program under generic code N2. This program line, MTT-TNG AIDS (MASL Item-ID 309000-CONUS, 31900-O/S), will show the next appropriate sequential alpha character in record position 65 of the WCN. Include only those training aid requirements for use by the MTT that cannot be predetermined and requisitioned under FMS under this procedure.

9. MTTs are not authorized to provide technical assistance. Both technical assistance teams (TATs) and technical assistance field teams (TAFTs) are under generic code M. They are normally requested at the time major equipment is ordered. TATs and TAFTs are not provided under IMET.

(4) Budget project N30 provides funds for DoD extended training services specialists (ETSS) and contract field services (CFS) personnel.

(a) DOD ETSS. ETSS are DoD military and civilian personnel technically qualified to provide advice, instruction, and training in the installation, operation, and maintenance of weapons, equipment, and systems.

1. ETSS may be provided for periods up to but not exceeding 1 year, unless specifically approved by DSAA. If technical services are required for more than 1 year, ETSS personnel will be attached to the SAO for operational control and administrative and logistical support.

2. Program ETSS under generic code N30.

(aa) Program ETSS on the basis of work month requirements. Include CONUS travel, transocean travel (round-trip), in-country travel, station allowance

(military or civilian), overseas allowance (military or civilian), official baggage (including excess, if justified), and salaries of DoD civilians.

(ab) For in country travel a factor of \$40 a person each month is authorized to cover the cost if the actual cost is unknown.

(ac) For CONUS travel a factor of \$320 is authorized.

(ad) For Overseas living allowance a factor of \$210 a person each month is authorized.

(ae) For official baggage a factor of \$150 round-trip for each person is authorized (five pieces of checked luggage, not over 150 pounds total, 84 pounds excess).

(b) CFS personnel are furnished under contract with private industry. CFS personnel provide advice, instruction, and training in the installation, operation, and maintenance of weapons, equipment, and systems. CFS will be utilized only when necessary for accomplishment of military mission. Clearly show that personnel with required skill are not available from DoD resources and the MILDEP involved determines that satisfactory provision of services by DoD personnel is not practical. Conditions of CFS must be approved by DSAA.

(c) Program CFS requirements on the basis of staff-month requirements. The program cost will include transocean travel (round-trip), contract cost (for each month), living allowance, and official baggage (including excess, if justified).

1. Base contract cost on a per month rate. Include cost of transportation from home office to U.S. port of embarkation, less the living allowance payment (in local currency described below).

2. A daily living allowance (payable in local currency) is authorized for CFS personnel. A factor of \$210 a person each month is authorized (payable in local currency) as a living allowance. Program the \$210 factor as a dollar requirement.

3. Unless other and more accurate cost requirements are known, program \$150 round trip a person for official baggage (150 pounds total, 84 pounds excess). CFS may be programmed on a 1 year basis in a fiscal-year program for total staff-month cost regardless if the duration (staff-month service) extends into the later fiscal year.

(5) Orientation tours.

(a) The objective of OTs is to provide selected students an opportunity to become acquainted with U.S. military doctrine, techniques, procedures, facilities, equipment, organization, management practices, and operations through short term orientation as opposed to attending longer term formal courses. This category includes OTs and, for programming and accounting purposes, related informational program requirements.

(b) OTs for distinguished visitors (DVs), and orientation training tours (OTTs) are authorized for

IMET programming. When submitting orientation tour requirements, indicate the positions held by the visiting officers for the type of tour selected.

1. Do not fund requests for OTs at the Chief of Staff and higher levels with IMET funds. Refer to the corresponding U.S. element for action. DV tours are restricted to one each Service a year subject to U.S. MILDEPS capability to implement the tour. DV tours normally will not exceed 14 calendar days plus overseas travel time and not more than five visitors each tour. Travel arrangements (mode of transportation or transocean and domestic travel) and accommodations should be comparable to those provided U.S. personnel under similar circumstances.

2. Tours should be restricted in number where possible and limited primarily to IMS. The overall target should be to reduce the cost of the tour by restricting the number of participants involved.

(c) Policy guidance.

1. Program OTs for IMET funding only after the U.S. Ambassador attests to their importance to the country's efforts and the SAO provides adequate supporting rationale for DSAA approval. OTs should not comprise a major portion of an established program nor be a routine use of country program funds.

2. Visits by international military cadets to U.S. Service Academies are not authorized under IMET. Visits of international officers equivalent to a Chief of Staff or Chief of Naval Operations are conducted at the invitation and expense of the U.S. MILDEPS concerned. Based on DSAA approval, consider IMET funds to finance portions thereof after such visits have been approved by the appropriate Service chief on a case by case basis.

3. Charge TDY travel and per diem costs for the escort officer for the duration of the tour to IMET funds. Program as a separate program line in the country program under budget PAN N70. U.S. personnel other than bona fide escort officers designated or agreed to by the executive agency for the tour implementation are not authorized to accompany tour groups. A factor of \$800 each staff-week is authorized for programming (PAN N7B) when escort officer services are required in connection with OTs. Program the dollar value of escort officers in record positions 51-56 of records "4" or "Q," as applicable.

4. Leave may be taken by tour participants after an OT, at no additional expense to IMET, when authorized in student invitational travel order (ITO).

(6) Self-invited visits are outside the purview of SA. Requests should be submitted outside of SA channels, from the host country Washington Attache to HQDA (DALO-SAA).

q. DOD informational program (IP). Each student attending a formal course in the U.S. is given the opportunity to participate in the IP.

(1) The program applies to IMS and military-sponsored visitors in the U.S. under the SA program.

(2) Include the cost for IMET trainees to implement the IP in the course tuition costs. Charge costs to budget PAN or generic code N10.

(3) Extraordinary expense funds (N60) as limited by Foreign Assistance Appropriations and FAA, are also authorized for use in conducting certain IP activities.

(4) IP activities include transportation, meals, lodging, admissions, programs, and incidental related expenses. The student will be responsible for laundry, cleaning, telephone services, and all other costs not directly associated with the programmed tour. IP funds may be used to finance the cost of distinctive medallions, plaques, ornaments, or mementos that serve to commemorate the student's experience in participating in a particular IP activity. The item should be distinctive in design and nominal in cost so as to eliminate the thought of reciprocation.

(5) IP activities should make maximum use of local civic groups, organizations, agencies, facilities, and historical attractions. When program objectives cannot be fully satisfied in the local area, visits to other communities are authorized. A major goal of the IP is to enable officer students and, when justified and approved by DSAA, selected senior enlisted students to visit Washington, DC. A maximum of 4 days for this aspect of the tour is authorized, not to include travel time.

(6) Trainees participating in IP tours are considered to be in a duty status. The living allowances authorized the trainees at their training centers will be continued throughout the duration of the tour.

(7) Dependents who have accompanied IMSs to the United States will be encouraged to participate in IP activities but at no additional cost to the program.

(8) IP funding and accounting.

(a) Record IP earnings when the student enters the course. A local fund cite should be used for expenditure. At the end of each fiscal year, funds earned and not used should be obligated by use of a DD Form 2406 (Miscellaneous Obligation Document). These funds can then be used during the next fiscal year for the expense of IP carryover students.

(b) TRADOC is the administrator of the Washington, DC tour. TRADOC will set up procedures for obtaining funds from U.S. Army schools for payment of these expenses. TRADOC and other CONUS MACOMs will coordinate methods for obtaining and transferring these funds for TRADOC use. TRADOC will update the Washington, D.C. tour part of the IP portion of applicable course costs. The update will consider inflationary and other factors.

(c) Use IP funds solely to conduct the IP program. Reimburse international military student officers (IMSOs) of training activities for actual out-of-pocket

expenses incurred in support of foreign students. An annual amount of reimbursement will not exceed \$300 for each fiscal year. The reimbursement will be subject to availability of funds. Authorized expenses are those incurred due to activities directly related to foreign students and the IP. Examples of authorized expenses are, but not limited to, privately owned vehicle (POV) mileage to and from transportation centers when military vehicles are not available, associated tolls, and parking fees.

r. Extraordinary expenses. Extraordinary expenses (Project Account Number N60) are those expenses incident to representation activities for IMS. They include costs of commandant's welcome, receptions, civilian or military sponsored banquets, class or seminar dinings-in, faculty or student luncheons, graduations, and other similar activities which bridge cultural differences and enhance the relationships between school officials, local community-supporting participants, and IMS while attending courses of instruction in U.S. and overseas facilities. PAN N60 funds are limited by legislation contained in the FAA and related appropriation acts. In cases of joint activities with FMS funded students, prorate costs on the basis of respective number of IMET and FMS student.

(1) Extraordinary expense funds may also be used for activities described above in connection with IP and OT. The expenditure of PAN N60 funds for students other than those sponsored by this program is not authorized. However, joint activities with FMS funded IMS are often cost-effective. In that case, IMET PAN N60 funds and IP funds are prorated on the basis of respective number of IMET and FMS students.

(2) Use the following guidelines to determine the amount of PAN N60 funds intended to be used for representation-type activities.

(a) An amount of \$1 for each officer and 50 cents for each enlisted trainee a course each week is allowed.

(b) When senior (lieutenant colonels, commanders, civilian equivalents, and above) and nondistinguished visitors are on an OT or IP activity, the allowable PAN N60 expenditure will not exceed \$9 an individual per installation for each activity, not to exceed \$18 a day for each individual.

(c) For each foreign individual member of an OT or DV, the expenditure of representation funds is authorized at a rate not to exceed \$18 per individual per installation per activity visited and not to exceed \$36 per day per individual.

(d) PAN N60 funds may also be used to finance the cost of certain contingency expenditures when they clearly support overall training objectives and are within the legislative constraints contained in the FAA. Disbursement of funds under these circumstances is authorized only after approval by

DSAA.

(3) Programming of dollar requirements will be accomplished as prescribed by DSAA. Legislative restrictions on extraordinary expense funds require that ceilings for representation expenses be provided to U.S. Army by DSAA once worldwide requirements are measured against the legislative limitation.

s. English Language Training.

(1) Technical control of the English Language Training (ELT) program is the responsibility of the Defense Language Institute English Language Center (DLIELC). Exceptions to this may be approved on a case-by-case basis by the Director, DSAA.

(2) When the Director, DSAA, approves an ELT be provided by a commercial contract funded under IMET, DLIELC will provide technical advice and assistance during the contracting process.

(3) SAO's are authorized to program the cost of the Test of English as a foreign language (TOEFL) as part of the course cost under IMET when required for entrance into approved military undergraduate or graduate training programs. Do not fund the cost of travel by prospective students to the testing site under IMET.

(4) Impose a forfeiture charge of 50 percent in all instances when direct entry students fail to achieve the prerequisite ECL on the CONUS course entry ECL test and when failure results in rescheduling or cancellation of direct entry training due to a language deficiency. This forfeiture policy applies to all direct entry students, including those from countries granted a waiver from the in-country screening ECL testing.

(5) Program training aides and devices, books, and other publications, to including training films, for use in establishing or supporting in-country ELT programs and fund under budget PAN N90 as part of the IMETP program of eligible countries.

t. Student administration.

(1) Civilian students under ITOs are authorized commissary and exchange privileges subject to MILDEP and unified command regulations.

(2) IMS are certified to be medically fit for military training and free of communicable diseases before they leave their country by either their government or U.S. in-country authority and before issuance of the ITO by the SAOs. However, students will or may be tested medically in certain instances. Countries will normally pay for the cost of testing. IMET program funds may be used for testing at and by U.S. military training installations on an exception basis pending development of a particular testing capability, when such capability does not exist in country.

(3) Furnishing uniforms or any items of personal clothing, other than special training clothing or equipment, such as flying gear included in course costs, is not authorized.

(4) IMS attending instruction in CONUS may be

authorized visits of not over 72 hours to Canada and Mexico. They must comply with all immigration and customs regulations. Such visits will not affect the IMET living allowances.

(5) When dependents are authorized (that is, those attending selected courses as indicated in note 4 of table 35-1), a living allowance may be paid according to rates established in table 35-1. In no case, however, will transportation of dependents be at U.S. expense.

(6) The cost of shipment of student retainable instructional materials will be included in the tuition rates for all formal courses based on standard rates set by Chapter 37. Students sending their instructional materials via international mail, and/or sending instructional materials more than the total maximum allowance, will do so at their own expense.

(7) Programming procedures for travel and living allowance (TLA) are the same as for IMSS. Program liaison personnel under generic code N10.

u. Programming instructions.

(1) Program formal training under generic codes N1A-N1J. Two elements of cost are used to determine the cost entered in record positions 73-80 of records "4" or "Q" for students who will train at U.S. schools and facilities. These costs are the IMET unit price and TLA. Compute each of these two cost elements on a per-person space basis. Obtain the total cost entry record position 73-80 of records "4" or "Q" by multiplying the sum of the IMET unit price in record positions 36-43 and the TLA in record positions 52-56 by the quantity (number of personnel spaces) in record positions 26-29 (that is, (IMET unit price plus TLA) times quantity equals total cost)). The following is cost factor guidance for deriving the two elements of cost involved in the Total Cost:

(a) Enter the unit price, when listed in the IMET MASL, in record position 36-43.

1. When the MASL indicates N/C (no charge), no charge is made by the MILDEPS for the training. Leave record position 36-43 blank for these items.

2. When the MASL indicates EST (estimate), a unit price estimate will be made by the program originator and entered in record position 36-43. A number of variables normally are related to unit price determination such as the number of personnel spaces or the length of the OJT. See Chapter 37 for estimating the unit price.

(b) The unit (for each personnel space) TLA cost is comprised of three cost elements-travel, living allowance while in a training status, and special factors.

1. First training destination known. When the first training destination in the United States is known at the time of programming or can be provided by the MILDEPS at or before the annual training workshop, calculate travel costs in accordance with paragraph "b" below; otherwise, use a composite travel cost

factor provided by the MILDEPS in their supplementary guidance.

2. Travel includes the cost of transportation to and from the United States, within the United States, and baggage and living allowances during travel. Pay transportation by military or commercial aircraft (when authorized), ship, bus, rail, or other conveyance when the United States provides the transportation as indicated in paragraph e, above. The following provides specific guidance for calculating travel costs to and from the United States and within the United States:

(aa) Program round-trip costs between the embarkation point in the recipient country and the gateway terminus (point of debarkation) in the United States will be programmed for all trainees, unless otherwise directed.

(ab) Program round-trip travel between the gateway terminus and city nearest the facility where the initial training is to be conducted for all trainees unless otherwise directed. When the first destination is not known, use estimated costs for round-trip travel, baggage, and living allowance while in a travel status. (In all cases, students are required to travel over the least costly route.)

3. Program a living allowance for all trainees in a training status, unless otherwise directed, as indicated in paragraph "r", above.

(c) Orientation tours.

1. Compute the TLA entry for record positions 51-56 as the composite cost-of-living allowances, transportation, based on itinerary, and excess baggage. A total of 100 pounds is authorized.

2. An escort officer may be programmed for OTs. A factor of \$800 each staff-week will be used and entered under TLA in record positions 51-56.

3. Use a factor of \$100 each staff-week to cover TLA in the overseas area where the tour is being conducted. Add the \$100 factor to the cost of the round-trip travel and the total amount per personnel space and enter in record positions 51-56 of records "4" or "Q."

4. The procedures above do not apply to observer training. Compute observer training in the normal manner described in 1(a) above.

(d) A factor of \$1,000 for each personnel space may be added to cover the cost of TDY for country liaison officer when programmed.

(2) Use the same two cost elements (IMET unit price and TLA), described in 1 above to determine entry in record positions 73-80 for students who will train at overseas schools and facilities. Enter the course cost shown in the IMET MASL in record positions 36-43 of records "4" or "Q." The TLA factors for overseas training also differ from U.S. training and are described below, by command.

(a) U.S. European and Pacific commands.

1. Travel costs.

(aa) Each country will pay its own transportation for those trainees training in their home country.

(ab) Do not include travel costs for courses after the original course; however, \$50 for each trainee will be added for travel (including living allowance during travel) for courses following the initial course that are conducted at a different location.

2. Living allowance while in training status.

(aa) Each country will pay its own living allowance rates for trainees training in their home country.

(ab) If training is conducted at a location other than within home country, use the JTR rate for living allowance while in training status.

(ac) Students who train sequentially have, in some cases, a waiting period before entering the second course. Include the living allowance for the waiting period in the TLA for the follow-on course.

(b) While this command has unique living allowance payments, U.S. Army sponsored students normally don't attend Panama Canal Area Military Schools (PACAMS).

(c) Third country training should be encouraged with the two participating countries making their own arrangements for the training and associated costs.

1. When considered necessary for the U.S.

Government to fund tuition costs, the SAO, in coordination with the Chief of Diplomatic Mission, should submit a request for offshore procurement certification, as required in DODD 2125.1, to the Director, DSAA. Information copies will be sent to the appropriate MILDEPS, unified commander, and component commander.

2. The request for offshore procurement certification should include a detailed description of tuition costs and training services to be provided. In no case will costs include items acquired under the security assistance program by the country providing the services.

3. No commitment to the third country offering the training will be made until the request for offshore procurement certification is approved. SAOs will use the fund citation contained in the student ITO to provide reimbursement of tuition costs to the country furnishing the training.

v. Other training support. Budget PAN N70 provides funds for U.S. military guest officers, supplies and materials used exclusively for IMET (excluding training aids), and student support costs.

(1) Costs related to constructing, extending, refurbishing, or maintaining U.S. training facilities used for both IMET and FMS training will be shared between the IMET and FMS customer countries on a pro rata basis. Such costs should be financed initially by the appropriate MILDEP. Adjust course costs charged for training at these facilities to provide reimbursement to the MILDEP appropriation at a reasonable rate so as not to impact adversely upon IMS attendance at the training installation.

(2) Costs of supplies and training materiel (excluding training aids) may be financed when authorized by DSAA. When requirements in these areas exist, provide supporting documentation through the appropriate unified command to DSAA for approval before programming. When third-country training requirements exist for supplies and training materiel (PAN N7C) and services (PAN N7E), the SAO will submit a request for offshore procurement certification, as outlined in DODD 2125.1 to DSAA. Send information copies to the appropriate MILDEP and unified command.

w. Cross-training, sequence training, or prerequisite training. Cross-training, sequence training, or prerequisite training is training following an initial course of instruction or preceding a course of instruction (prerequisite) without the trainee returning to home country between courses. When programming of this type is required, program originators will use record position 65 of records "4" or "Q" to indicate if the training is a single line item or if cross-training is involved. If cross-training is programmed, enter "A" in record position 65 for the initial course, "B" for the second course, "C" for the third course, and so on in sequence. When English language is programmed as a prerequisite course, the work sheet number suffix (record position 65) will be the letter "L". The courses following will have work sheet control number suffixes "A," "B," "C," and so forth. Compute the cost of each course separately. Charge course "A" with the round-trip transoceanic travel costs and the round-trip CONUS costs. For sequential training conducted at another location, use the best estimate of transportation costs. When ELT is a required prerequisite, include the cost of round trip in the "A" line computed on the basis of the location of the "L" line. Compute the living allowance while in a training status separately for each course using Table 35-1.

x. Initial funding program of current year training program. As soon as the apportionment of IMET program funds is received from the OMB, DSAA will fund all priority codes A, B, and C within the apportioned funding/allocation level.

(1) SAOs should ensure that priority codes are appropriately adjusted so the total of all priority A, B and C training lines equals the allocation level. Adjustment of prioritization will be required if the apportionment level is less than the budget request level.

(2) During the year, MILDEPs will advise SAOs by message when priority A training exceeds the MILDEP allocation (service breakout). When this happens, the SAO should take immediate action to make the necessary program changes (change the unfunded priority A training to priority D; change the funded priority A training to priority D and unfunded: Delete, etc.).

(3) DSAA will ensure that the Unified Commands have country allocation information as soon as possible at the beginning of the fiscal year, consistent with the passage of appropriate legislation/authorization. Upon receipt of this information, Unified Commands are to provide DSAA and the MILDEPs a service breakout by country for each IMET recipient.

(4) The MILDEP Executive Training Agencies will fund individual IMET training lines in the three service portions of a country IMET program. The Security Assistance Training Field Activity (SATFA), Naval Education and Training Security Assistance Field Activity (NETSAFA), and Air Force Security Assistance Training (AFSAT) will fund their individual service IMET programs, be the focal points for matters pertaining to country IMET programs within each service, and be responsible for maintaining service ceilings for each individual service IMET programs.

y. Additions/increases to current year program. If later addition/increases to current year programs will cause the funded program to exceed the country allocation level, the SAO should simultaneously submit deletions of funded lines sufficient to offset requested funding and/or forward programming to lower the priority codes of selected funded lines to D or E. In the latter case, DSAA will withdraw funding of those lines; they will remain in the program in an unfunded status. DSAA will monitor the individual country service breakout within the country IMET allocation to ensure that the MILDEP amounts do not exceed the overall country IMET allocation. The DSAA IMET allocation database system (DIADS) has been created to accomplish this, with DSAA being responsible for initial entry of country and MILDEP allocation/service breakout data and the MILDEP being responsible for breakout adjustments during the year. The DIADS data will also be available through the Security Assistance Network (SAN) on IDSS/TMS. MILDEP allocation/service breakout changes will be updated in conjunction with MILDEP IDSS updates.

z. Cancellation of training-penalty charge. Cancellation charges will be in accordance with paragraph 35-10.

aa. Impact of Section 620(q), FAA, and "Brooke Amendment" on utilization of IMET funds.

(1) Section 620(q), FAA. "No assistance shall be furnished under this Act to any country which is in default, during a period in excess of six calendar months, in payment to the United States principal or interest on any loan made to such country under this Act, unless such country meets its obligations under the loan or unless the President determines that assistance to such country is in the national interest and notifies the Speaker of the House of Representatives and the Committee on Foreign

Relations of the Senate of such determination."

(2) The Brooke Amendment which is an integral part of each recent foreign assistance and related programs appropriations act and continuing resolution states: "No part of any appropriation contained in this Act shall be used to furnish assistance to any country which is in default during a period in excess of one calendar year in payment to the United States of principal or interest on any loan made to such country by the United States pursuant to a program for which funds are appropriated under this Act."

(3) Sanctions under Section 620(q) are triggered by arrearages of more than six calendar months on AID-financed loans at such time as the Department of State advises DSAA that no waiver of sanctions is being considered. Sanctions under the Brooke Amendment are triggered by arrearages of more than one calendar year on FMS-financed loans (direct or guaranteed) or AID-financed loans.

(4) The impact on utilization of IMET funds under both Section 620(q) and the Brooke Amendment is identical. Specific sanctions on the IMET program follow:

(a) New IMET students may not travel to the U.S. or other locations for initiation of training. IMET students outside their countries of origin whose course of study or training program began before the effective date of the sanctions may complete such courses, including already funded sequential courses. However, no additional sequential courses may be added on or after the effective date of the sanctions. IMET students outside their countries of origin whose course of study or training program did not begin before the effective date of the sanctions should normally be returned to their home country as soon as possible. For the purposes of the Brooke Amendment, an IMET-funded course is deemed to begin on the report date specified in the Standardized Training Listing (STL). (If sanctions are lifted, these students will be considered for late admittance or admittance to the next available course of study or training program.)

(b) IMET funded MTTs and Language Training Detachments (LTDs) may not be dispatched or extended beyond their scheduled termination date.

(c) IMET funded training aids may not be issued from supply nor placed on contract by the supplying agency.

ab. Fiscal coding.

(1) Uniform budget activity and project account classifications. The Financial Management Account Structure as prescribed in the DA Pam 37-100-FY (inclusive of symbol numbers for IMET appropriation and its limitations, budget activity, and project account classifications) will be used in the coding of all documents. It will also be used to prepare financial reports for the IMET (21-11X1081)

appropriation.

(2) Additional fiscal coding required.

(a) Use elements of resource, country codes, and area codes per DA Pam 37-100-FY.

(b) Normal fiscal coding. Normal U.S. Army fiscal coding requirements for reimbursements and allotment serial numbers apply to IMET transactions. Emphasize use of the proper source code according to DA Pam 37-100-FY on IMET funds when reimbursing U.S. Army appropriations or working capital funds.

ac. Accounting for MAP orders.

(1) Under the direct obligation limits, individual transactions will be accounted for using normal U.S. Army procedures.

(2) Identifying transactions. Operating agencies must be able to identify obligations, expenditures, and deliveries made in connection with the training and services. Such transactions will be accounted for separately using the prescribed budget PANs.

ad. Accounting for IMET orders. IMET orders will be issued for all services, including training. Apply fiscal control at IMET order level in detail (that is, by appropriation inclusive of limitation, country, fiscal year, generic code, RCN, and worksheet control number to ensure conformity with DSAA program and financial control). The distribution of allocations at the IMET order level represents administrative subdivision of funds. They are subject to the applicable provisions of 31 USC 1517.

(1) Establish obligations in accordance with chapter 9.

(2) Establish prices as stated in approved IMET orders. Charge final prices as required in Chapter 37.

(3) Consolidated procurement actions for materiel, services, or training for IMET with other normal actions of the U.S. Army under regular procurement or operating procedures and responsibilities.

(4) Account for IMET orders by RCN and WCN in both quantity and dollar value. This will show changes in orders, deliveries, and undelivered balances. The undelivered balances of the IMET orders will agree with the unobligated reservations for IMET orders outstanding under allocated funds. Reconciliations will be made each 4 months between program and fund.

(5) Services, or training to be performed must be within the dollar limitation value set by the IMET order. This dollar value is valid as long as the IMET appropriation is available for expenditure or until the IMET order is officially changed. If services performed while carrying out an Army extract IMET order will over-obligate the total MAP order and cause a 31 USC 1517 violation, services will not be performed until an approved amended IMET order has been received from DSAA. Fiscal year identity of program changes will be maintained.

ae. Accounting for IMET, services, and other

training.

(1) Consider materiel and performance of services, financed first from U.S. Army appropriations or working capital funds, to have been constructive by goods delivered or services performed as required in AR 12-10 or AR 12-15.

(2) For school training, obligation and billing of funds may be done before completion of the training as provided in AR 12-15. Bill for the full course value of the formal training in the month in which the training courses begin.

(3) When materiel is delivered to a carrier for transportation to a consignee, the billing and collection documents will be supported by evidence of delivery to the carrier.

(4) Other requirements are:

(a) For shipments other than (b) below, make one copy of a bill of lading, or an appropriate document with the signature of agent or carrier showing receipt of the materiel for transportation to consignee. Military Standard Requisitioning and Issue Procedures (MILSTRIP) provisions for use of Materiel Release Confirmation cards confirms shipment of IMET materiel. Code cards "Postal" for U.S. mail shipments.

(b) To show receipt of the materiel for shipments from vendors when the terms of the procurement contract specify delivery free on board (FOB) or free alongside ship (FAS) loading terminal, one copy of the shipping document will be signed by-

1. The Department of the Army Air Traffic Coordinating Officer at air terminal.

2. The transportation officer at water terminal.

(5) SAOs, terminals, or other agencies as required in AR 700-58 and this regulation will report shortages, losses, or damages. In addition, SAOs will advise supplying agencies directly of materiel shortages or damages disclosed at destination when property has moved under U.S. Army control with title transferred to the recipient country. When notified of shortages or damages, supply agencies will--

(a) Issue instructions to SAOs or terminals for disposition of damaged materiel.

(b) Replace shortages and arrange for repair or replacement of damaged materiel when these conditions occur before transfer of title. Cost of repair or replacement will be charged to U.S. Army appropriations.

(6) Program changes for prior year IMET.

(a) Process changes as explained in paragraph "u."

(b) Prior year IMET funds will not be automatically issued for the amount of the IMET order. Request approval for financial program changes through HQ TRADOC, Security Assistance Training Field Activity (SATFA), and the Commander, USAFINCOM, ATTN: SAFM-BUE-B, Indianapolis, IN 46249-1366, to DSAA. Process a IMET order through normal

procedures. Request funding changes from the Commander, USAFINCOM, ATTN: SAFM-BUE-B, Indianapolis, IN 46249-1366.

(7) Indebtedness policy for IMET.

(a) Authority is granted to the FAOs to collect and pay IMET student debts owed to the U.S.

Government by reducing the IMET living allowance payable to students.

(b) The SAO is not required to collect for student debts. However, the SAO's in-processing and out-processing briefing to IMET students should inform them of debt collection authority.

(c) Field training offices will notify the SAO of all implemented collection cases.

(d) DSAA must be informed before collection action is taken.

af. Fiscal year end procedures.

(1) Guidance on fiscal year end certification and reporting schedules is in Chapters 28, 29, and 30. Unobligated balances of IMET funds and programs will be available for adjustments as directed by the ODDFAS-IN and DSAA.

(2) Unobligated balances of funds reserved on IMET orders for all prior years continue to be available for reimbursement to U.S. Army appropriations. This includes any related adjustments. Reconcile unliquidated obligations and training programs.

(3) Prior-year recoveries may be used to the extent available to cover upward adjustments of prior year obligations within the same appropriation limitation and fiscal year. This includes special limitations when directed by HQDA and DSAA instructions.

(4) Expired fiscal years will be reported according to current instructions.

ag. Auditable records. Each general and special operating agency and installation will keep auditable records of all allocations and allotments of funds, adjustments, and other transactions. Each program year must retain fund integrity. Audit records by RCN must be kept.

ah. Reporting requirements.

(1) See Chapters 29 and 30 for financial and accounting reporting requirements.

(2) Special year end reports. RCN reporting is required on an annual basis for Accounts Office and installation or activity reports.

35-9. Basic principles

a. Condition of sales.

(1) Defense Articles and Services (DAS) sales are under the terms of bilateral agreements, special sales agreements, and supply support arrangements. Such bilateral agreements are documented by DD Forms 1513. The preparation of DD Forms 1513 and related forms is addressed in AR 12-8.

(2) FMS are conducted as reimbursable or Direct cite (DC). All new cases on or after 1 October 1986

must use direct cite.

b. Financing foreign military sales. Charges for FMS cases are classified into two major categories. These are base price and authorized surcharges. The base price refers to the cost of the item or service. Authorized surcharge is the application of an additional charge that is dependent on the value of a base price or other pricing combinations. Base price and other charges included in the estimated cost (line 21 of DD Form 1513) are called "above-the-line" costs. Add-on charges (lines 22 through 25) are called "below-the-line" costs.

(1) Reimbursable is authorized when--

(a) Orders received in appropriated accounts are at a value equal to that provided in part B of the approved DD Form 2060 (FMS Obligation Authority).

(b) The PBAS program allowance document (PAD) authorizing order recording is obtained by the performing activity.

(c) No appropriated funds are used without obtaining a cash advance or expenditure authority from the FMS trust fund.

(d) FRA is available for those U.S. Army appropriations not authorized automatic apportionment.

(e) The case is entered on to the PBAS data base before 1 Oct 1986. (See paragraph 35-13 for exception for contract administration services.)

(2) Direct citation. Financing performance by the FMS trust fund is authorized when:

(a) The trust fund obligation authority is obtained from DFAS-DE/F before commencement of performance. Part B of the DD Form 2060, noted as "8242," represents the obligation authority approved by DFAS-DE/F. PBAS issues a Fund Allowance System (FAS) document/Funding Authorization Document (FAD).

(b) The trust fund EA is obtained at the paying station before payment of bills associated with DC performance.

(3) FMS emergency directed actions (EDA), relationships, and responsibilities.

(a) After the receipt of EDA, with proper financing instructions and identification of the proper case manager, case designator, and estimated cost, USASAC.

1. Enters the required data element values for FMS country code, implementing agency (IA) code, case designators, total and net case values, and estimated dollar requirements by appropriation and fiscal year.

2. Communicates with DFAS-DE/F to set the approved obligation authority ceiling in PBAS. This is done per financing instructions provided under existent fiscal policy.

3. Performs logistic EDA as required by the authorizing organization.

4. Monitors operational activity relative to EDA to ensure logistic and financial updates as needed.

(b) After receipt of proper financing instructions, FMS country code, IA code, case designators, and estimated dollar requirement, DFAS-DE/F:

1. Enters the total and net case value and obligation authority ceiling in PBAS.

2. Monitors activity for EDA to ensure effective financial management.

3. Monitors financial policy, addressing EDA performance by U.S. SAOs.

(c) Office of the Director, Defense Finance and Accounting Service-Indianapolis Center (ODDFAS-IN) ensures that PBAS design accommodates financial policy regarding EDA.

(d) U.S. Army Materiel Command (AMC).

1. Carries out emergency logistics requirements. (See AR 12-8.)

2. Develops reimbursable accounting procedures to control the logistics process generated by EDA in anticipation of an eventual FMS agreement.

(e) Performing activities may use a copy of the implementing directive from higher headquarters to initiate actions if PBAS is not available. USASAC is responsible for notifying the performing activity officially.

c. Terms of sale.

(1) DD Form 1513 for a sale of DAS may involve the following sections of the AECA:

(a) Section 21. Cash sale from stocks.

(b) Section 22. Cash sale from procurement.

(c) Section 23. Direct credit extended to a purchaser to finance a sale from stocks or procurement.

(d) Section 24. Guaranteed credit extended by a lending institution to a purchaser to finance a sale from stocks or procurement.

(2) The case manager enters the appropriate terms of sale in the terms block of DD Form 1513. The case manager also cites associated dollar amounts. Terms of sale indicate--

(a) Legal authority for FMS.

(b) Time of payment for the sale.

(c) If the sale is to be from stocks or procurement.

(d) If the sale is to be financed on a cash (dependable undertaking) credit basis.

(3) The buyer pays cash in full with acceptance or makes an initial cash deposit with acceptance if the sale is on a cash basis. When such payment is required, the buyer pays at the time of acceptance. This payment is an integral part of acceptance of DD Form 1513. In the absence of such payment, there is no legal binding FMS agreement.

(4) DFAS-DE/F bills the buyer per DOD 7290.3-M for the unpaid balance.

d. Surcharges.

(1) The OSD(C) and DSAA decisions on surcharges to FMS customers require distinct policy or procedural statements to provide consistent application and accounting for those charges.

(2) Surcharges are in four classes. The classes are defined as follows:

(a) Surcharges directed by law or a higher authority and related to a line on a case are called "Known above-the-line" surcharges. Consider these surcharges in the first computation of the case or line value. Case or line managers (or sub-line managers) are responsible for including these charges in the line value computation. Forecast and obtain FMS obligation authority for direct citation of the trust fund and reimbursable activity before performance.

(b) Surcharges required by law or directed by a higher authority that relate to a line on a case but not identified in the line value are called "Known below the line" surcharges. If possible, these values will be included on DD Form 1513, line 25, OTHER ESTIMATED COSTS. FMS obligation authority is not required in the Army for these surcharges. DFAS-DE/F holds equal obligation authority in the trust fund to permit processing of billings to the customer.

(c) Surcharges identified to a line on a case by a higher authority after submission and acceptance of DD Form 1513 are called "Unknown above the line" surcharges. FMS obligation authority, inclusive of the surcharge value, is required before performance. Review cases affected by these surcharges. If the added requirement creates the need for DD Form 1513-2, prepare promptly and send through channels to DSAA. If these surcharges are directed to apply retroactively, the U.S. Army's Central Data Base for Security Assistance will identify these cases on a transaction basis and reserve the obligation authority. Give notice to the affected case or line manager. If obligation authority has not been reserved, the case or line manager will obtain it. Send the adjusted billing to DFAS-DE/F. Review affected cases and prepare DD Form 1513-2. Make every effort to process these surcharges within the Army to ensure the integrity of U.S. Army FMS case accounting and reporting.

(d) Surcharges not identified to a line or lines on a case by a higher authority, after submission and acceptance of DD Form 1513, are called "Unknown below the line" surcharges. FMS obligation authority is not required in the Army. It is unlikely that DD Form 1513-2 will be required. Notification of such a requirement will be issued by DFAS-DE/F.

35-10. Financial management and control

a. FMS case identifier.

(1) FMS transactions for DAS have a unique identifier supported by DD Form 1513. The U.S. Army executive agent for security assistance assigns the identifier as follows:

(a) Country code, first two positions. See DA Pam 37-100-FY.

(b) IA code, third position. This code, a one-position alpha field, is a "B" for U.S. Army cases and an "E"

for U.S. Army Corps of Engineers for cases prior to May 1987.

(c) Case designation, last three positions. The case designator, a three-position alpha/numeric field, need not be unique except in its relationship to the country and IA codes.

(2) Avoid changes to the FMS case identifiers. If events dictate that a case should not continue, withdraw the original DD Form 1513 and process a new DD Form 1513.

b. DD Form 1513.

(1) Upon direction received from the U.S. Department of State or on request of a duly authorized representative of a foreign government, the U.S. Army executive agent for security assistance directs the preparation and processing of DD Form 1513, according to AR 12-8.

(2) DD Form 1513 applies to provisioning of DAS and includes but is not limited to:

(a) Major defense items.

(b) Spares and repair items.

(c) Cooperative Logistics Supply Support Agreement (CLSSA).

(d) Engineering support arrangements.

(e) Services.

(f) Training.

c. Case execution. The IA is responsible for logistical and financial management of each DD Form 1513. Case management responsibilities are prescribed in AR 12-2. DFAS-DE/F is responsible for cash management of the FMS trust fund and acts as fiscal agent of the DD Form 1513, at the sub-line level established by the executive agent. Sub-line managers may begin DD Form 1513 DAS action when sufficient authorities are received. These authorities include--

(1) FMS logistical requisition.

(2) FMS obligation authority.

(3) Authority to engage in automatic or reimbursable orders.

(4) Reimbursable program authority.

(5) Authority for direct cite (DC) of the trust fund.

d. Establishing reimbursable customer orders. (See chap 12.)

e. DC procedures.

(1) Under this method, once obligation authority is pulled, enter a fund cite and perpetuate on all applicable documents and reports.

(2) Obtain DC obligation authority from PBAS. The obligation authority will be equal to or less than the FMS obligation authority issued by DFAS-DE/F as shown in PBAS. The performing activity will record DC obligation authority in its financial records as a DC allotment.

(3) Source codes D00 and F00 are valid under DC procedures. When source code D00 is used for below-the-line charges the third position of the limit will be an alpha O. When source code F00 is used

for inter-appropriation orders, the third position of the limit will be an alpha "O".

f. Overseas management of security assistance programs.

(1) Controls. Overseas activities, as used in this chapter, pertain to activities physically located OCONUS. The responsible FMS case manager will ensure that the proper funding and accounting procedures provide adequate controls.

(2) Financing methods.

(a) DC method. The CONUS FMS case or line manager issuing activity will obtain DC obligation authority from PBAS.

(b) Reimbursable method. The issuing activity will ensure that reimbursable obligation authority has been pulled from PBAS by financing appropriation. The issuing activity will provide obligation authority (reimbursable order) to the performing activity, citing the financing appropriation and issuing activity fiscal station. The issuing activity will monitor the performing activities execution on receipt of obligation data (billings). The issuing activity will obtain EA for the performing activity equal to the obligation authority provided through the reimbursable order. The performing activity will make trust fund disbursements. The issuing activity will process billings (TFO/TBO disbursement data) received from the performing activity at month end. They will ensure that expenditure level authorization is not exceeded. The issuing activity will ensure that EA is obtained through PBAS. They will provide allotment execution data to DFAS-IN for consolidation into the RCS DD-COMP(M)-1518 for the status of self-reimbursement expenditure authority (DOD 7290.3-M, paragraph 40502.)

(3) Inter-appropriation financing of the FMS program. Inter-appropriation financing citing the FMS trust fund is permitted. Allotment of FMS trust fund authority (PBAS DC obligation authority) may be used to finance certain requirements. The source code for this type of transaction is F00. Only the issuing activity has a valid foreign military sales order (FMSO).

(4) Determination of funding method. FMS case managers may adjust reimbursable orders for cases established prior to 1 October 1986 which are financed with reimbursable obligation authority for the life of the case, except if those orders are reduced to a zero dollar value. All new orders on or after 1 October 1986 will be direct cite financed.

(5) Financial review. FMS case managers will perform a semi-annual review of all open FMS cases. Use Figure 35-1 for this review.

g. Training

(1) Financial administration. The AECA, as amended, forbids FMS financing with U.S. appropriated funds. DFAS-DE/F ensures receipt of the customers FMS initial deposit before case

implementation. TRADOC is the U.S. Army case manager for FMS training and accounts for FMS training through PBAS.

(2) Funding. FMS training is financed primarily by inter-appropriation reimbursements. TRADOC requests DC obligation authority from PBAS and cites the FMS Trust Fund as the financing OMA appropriation on reimbursable orders, Obligation Authority and Customer Orders for Army Sponsored FMS (TRADOC Form 285R) to training activities. TRADOC will use MIPRs to fund training in remote areas where limited accounting support is available. TRADOC will obtain necessary EA to authorize FMS expenditures. Finance TAFT and ETSS operations, where practical, by reimbursable obligation authority using TRADOC's fiscal station number (FSN).

(3) Accounting.

(a) TRADOC will account for obligation authority and EA as specified in this regulation. Maintain FMS customer order data for FMS training in PBAS equal to the monthly data from the integrated command accounting reporting package.

(b) Accomplish FMS billing as follows:

1. Formal training should be billed for the full course value in the month in which the training course begins.

2. Constructive Delivery. Delivery of materiel and performance of services, financed from U.S. Army appropriations or working capital funds, will be considered to have been constructively delivered on performance of service and will be billed in that month.

3. TRADOC will reimburse billing activities monthly pulling DCEA from PBAS and citing FMS trust fund on disbursement documents.

4. TRADOC has the ability to automatically generate formal training billings at the request of non-TRADOC training activities. All TRADOC formal billings are accomplished in this manner.

(c) TRADOC activities will report per chapters 29 and 30.

(4) Special procedures. Special procedures for unique aspects of the FMS training program.

(a) TAFT and ETSS

1. TRADOC, as manager of CONUS (pre-deployed) and OCONUS (deployed) portions of TAFT and ETSS cases, will coordinate pricing and personnel estimates with SATMO. SATMO will deploy TAFTs and ETSS, and work with TRADOC on appropriate funding.

2. TRADOC will account for TAFT and ETSS pre-deployment as described in paragraphs b and c, above. When TAFT and ETSS are deployed, TRADOC will use the procedures for financing remote activities.

(b) Medical costs for FMS students.

1. If the DD Form 1513 does not provide for medical services, TRADOC will enter a footnote per

AR 12-8. The servicing medical facility will send bills for medical services provided to foreign students through HSC to the students (country) embassy in Washington, DC. FMS accounting for these medical costs is not necessary.

2. When medical costs are forecast on the DD Form 1513, follow FMS accounting procedures. HSC will be designated as line manager for medical services. Both TRADOC and HSC will use PBAS to account for the cost of medical services. HSC will provide RCS DD-COMP(M)-1517 delivery billing and reporting to DFAS-DE/F for these costs. HSC will work with TRADOC to close FMS cases when all billings have been processed. HSC will provide line closure certificates to USASAC when all transactions have been completed and furnish an information copy of the certificate to TRADOC. HSC will show FMSOs in monthly accounting reports sent to DFAS-IN.

(c) Acceleration costs of FMS training.

1. TRADOC will centrally account for certain installation support costs to train foreign students. These costs include commissary, communications, and depot maintenance. The portion of these costs attributable to a foreign student is called an acceleration cost.

2. TRADOC will provide billing through PBAS to DFAS-DE/F and credit reimbursements to the OMA appropriation.

(d) OJT or OTNG (Other training).

1. This training is included in the DD Form 1513 as written and managed by TRADOC.

2. TRADOC and the MACOMs will coordinate funding of installations selected to host OJT or OTNG students.

3. TRADOC will act as PBAS case or line manager, establishing FMS customer order data and providing reimbursable orders to host installations.

4. The training installation will record reimbursable source code F00 orders and bill TRADOC on a SF 1080 through the MACOM.

5. TRADOC and the MACOM of the host installation will accomplish case closure.

6. Accounting for the military mission expense program (formerly MAP T20 funds) is under the FMS administrative trust fund account administered by DFAS-DE/F.

h. Reimbursement for military labor costs.

(1) Policy. According to the terms of the AECA, the U.S. Government may not finance the FMS program with appropriated funds. Therefore, foreign customer payments to the FMS trust fund must be sufficient to offset disbursements from Army appropriations. Military labor costs incurred in the performance of the FMS program are generally reimbursable from the FMS trust fund to the MPA appropriation.

(2) Accounting.

(a) The DCSPER will keep the centralized record of

MPA collections. The DCSPER will verify that military personnel costs are recouped from the FMS trust fund by the responsible FMS case manager.

(b) DFAS-IN is the accounts office for the DCSPER. DFAS-IN will receive and record FMS customer orders for the MPA appropriation in the installation accounting record. Orders will be subject to adjustment based on Army FMS case or line manager update of the MPA customer orders in PBAS.

(c) Fund and account for all U.S. Army labor costs attributable to FMS performance by the allotment of DC authority method. Use allotments of FMS trust fund authority (PBAS DC obligation authority) to finance the FMS military labor requirements, including military retirement contributions and other benefits. Normal status reporting is required.

(d) A valid FMS case or line is required to obtain DC obligation authority. Based on anticipated military labor costs, the line or sub-line manager will request the PBAS customer order control point (COCP) to obtain DC obligation authority. See DA Pam 37-100-FY for Element of Resource (EOR) code to identify the costs for services of U.S. Army personnel for the appropriation (2010). Compute these costs using the standard composite rates accelerated for leave and holidays, when applicable. See DA Pam 37-100-FY for EOR code to identify the cost of other benefits for reimbursement to the OMA appropriation. This consists of quarters, subsistence, medical, and other personnel costs not included in standard pay rates or acceleration factors. The COCP will send the allotment (of DC obligation authority) document to the funded fiscal station for recording in the official records.

(e) Prepare a no-check SF 1080 monthly, based on performance by military personnel. Cite the appropriate MPA centrally managed allotment as the billing office. Cite the FMS trust fund account with the appropriate limit, case, and line as the office billed. Use the line or sub-line manager's FSN.

(f) The line or sub-line manager will request the PBAS COCP to obtain EA. The fiscal station will receive the SF 1080 and EA document and pass them to the disbursing station. The disbursing station will reimburse the MPA appropriation from the FMS trust fund.

(g) The fiscal station will report the DC MPA transaction on the fiscal station's Status of Approved Resources (RCS CSCFA-218) report and the disbursing station's will report the transactions on the RCS CSCFA-302 report. Send an information copy of SF 1080 to the DCSPER (A summary of collections may be provided).

(h) The DCSPER will monitor the MPA accounting process to ensure that U.S. military services are not provided to foreign countries unless FMS customer orders have been properly established. The MPA

appropriation must be reimbursed on a monthly basis.

i. Special assignment airlift mission funding and accounting.

(1) Record premium transportation requested by a customer country as an above-the-line cost on the DD Form 1513.

(2) PBAS procedures.

(a) The line or sub-line manager will obtain the DC obligation authority.

(b) The requesting activity will cite the FMS trust fund with the appropriate country, case, and line data and the fiscal station servicing the sub-line manager.

(c) MAC or other authorized transportation office will prepare and submit the SF 1080 to be fiscal station.

(d) The servicing fiscal station will process the SF 1080 billing for payment within 5 work days from the date of receipt. The disbursing station will obtain EA prior to making the disbursement.

j. Rebuild for customers. Rebuild is normally performed in U.S. Army operated facilities. Rebuild may be performed on U.S. owned assets or a foreign country's equipment. Rebuild of U.S. equipment in anticipation of FMS requirements is prohibited.

(1) Case preparation and funding.

(a) The assigned responsible U.S. Army command will prepare a DD Form 1513 in accordance with established policy. Price the offer in accordance with Chapter 37.

(b) Upon acceptance of the DD 1513 by the foreign country and availability of obligation authority, the MSC will obtain DC obligation authority for rebuild to be performed. Obtain the obligation authority each fiscal year for the estimated value of the rebuild to be performed that year.

(c) Send a funded Procurement Work Directive (PWD) to the U.S. Army Depot Systems Command (DESCOM) for assignment of the requirement to the appropriate facility.

(2) Performance and billing.

(a) The rebuild activity will record a reimbursable order, source code "F00," in their accounting system.

(b) Price the required rebuild performed in accordance with Chapter 37.

(c) Bill accrued cost monthly using SF 1080. Cite the FMS trust fund as the appropriation billed and the Defense Business Operations Fund (DBOF) Depot Maintenance (former AIF) business area as the billing office. Obtain FMS EA using the proper progress payment delivery source code (DSC) for the amount billed. Submit proof of performance to DESCOM and the MSC.

(3) Delivery reporting.

(a) Using the proof of performance, the MSC will prepare DD-COMP(M)-1517 delivery reports.

(b) The MSC will submit the DD-COMP(M) 1517s through USASAC to DFAS-DE/F as prescribed by

OSD policy and procedures.

k. Case closure.

(1) Close cases in U.S. Army records upon completion of all performance, billing, and collection. Effective case closure is the responsibility of all organizations involved in providing the goods or services identified in DD Form 1513. These include the executive agent, the central case manager, the command case or line manager, the sub-line manager, performing activities, and DFAS-DE/F.

(2) Each U.S. Army activity having responsibility for a case line or sub-line will complete a case closure certificate per figure 35-1.

(3) Each U.S. Army performing activity will certify closure of the lines of a case on which it performed. The certification will be supported by local accounting records. Send the original of the completed certificate to the Commander, USASAC, ATTN: AMSAC-OP, Defense Distribution Region - East, New Cumberland, PA 17070. Provide a copy of the completed certificate to the case manager and keep a copy at the office responsible for FMS case records at the activity executing the certificate.

(4) USASAC is the only U.S. Army organization authorized to close cases to DFAS-DE/F. After all lines on a case have been closed, USASAC will complete a consolidated Army closure certificate and send it to DFAS-DE/F. USASAC will provide a copy of this document to the case manager and a copy will be kept at USASAC. Do not send the certificate to DFAS-DE/F until:

(a) All valid requisitions are filled.

(b) All items have been delivered or shipped.

(c) All services have been performed.

(d) All surcharges have been assessed and billed.

(e) All outstanding reports of discrepancy (RODs) have been processed.

(f) All financing appropriations have been reimbursed.

(g) All deliveries and financial data have been reconciled.

(h) The PBAS-generated FMS Planning Directive is properly stratified by element of resource.

(i) PBAS and DIFS net case value are equal.

(5) FMS cases can be closed before the completion of supporting contracts provided the contracts are continuous or long running (4 years or more), and either (1), (2), (3), or (4) above apply. Close these cases following guidance set forth for submission to the FMS Reconciliation and Case Closure Board.

(a) The responsible contracting officers agree that no additional costs to the FMS customer are expected.

(b) The only remaining issue, with regard to financial completion of the contract, is the settlement of overhead rates.

(c) Final unit prices billed represent all actual payments and required add-on amounts to assure full

cost recoupment to the U.S. Government.

(d) Final unit prices, billed as actual costs on RCS DD-COMP(M)-1517 delivery reports, include the overhead rates stated in the contractor's Certificate of Current Cost or Pricing Data for the fiscal year that the deliveries occurred.

(6) Reopening closed FMS cases for financial adjustments.

(a) Reopen FMS cases that have been closed in PBAS but require financial adjustments. This applies to all adjustments without regard to dollar amount. Also reopen the case in DIFS if the adjustment is an increase that equals or exceeds \$10,000, or is at least 1 percent of the net case value and at least \$1,000.

(b) If the case was closed by action of the FMS Reconciliation and Case Closure Board, do not reopen the case in DIFS unless the amount exceeds \$10,000.

(c) Maintain documentation in the case files for all financial adjustments made after the case is initially closed in PBAS. This documentation is required to justify differences between DIFS and PBAS. Recertification is required if the case must be reopened in DIFS.

l. Fiscal coding.

(1) The fiscal codes in the DA Pam 37-100-FY will be used in classifying financial and budget transactions and in reporting all FMS transactions on fiscal reports.

(2) All FMS transaction documents will include the proper case identifier and, where applicable, the appropriate line number.

(3) See DA Pam 37-100-FY for additional fiscal coding requirements. Chapter 5 provides an example of fiscal coding when DC has been allotted to the U.S. Army.

m. Trust fund authorities.

FMS trust fund authorities are divided between those that enable incurrence of obligations and those that liquidate trust fund obligations. Both authorities are distributed by PBAS.

(1) FMS obligation authority represents the authority granted to the IA by DFAS-DE/F to obligate the FMS trust fund and will only be received by the line or sub-line manager (primary activity), who will designate the allottee of DC obligation authority if that type financing is used.

(a) When reimbursable obligation authority is issued by DFAS-DE/F, record the FMS trust fund obligation by one of the following methods:

1. Establish a PAD and customer order received to increase carrier appropriation total obligational authority.

2. Establish an anticipated collection to a receipt account, such as Miscellaneous Receipts (Accounting Classification Code 97-11X3041).

(b) When DC obligation authority is issued by

DFAS-DE/F, the FMS trust fund is obligated by one of the following methods:

1. As an allotment of trust fund authority. This administrative subdivision of funds will be controlled using formal commitment accounting. The funded fiscal station will be the U.S. Army accountable office.

2. As a receipt of DC authority. Receipt will be direct from the FMS trust fund. Contract commitment authority (CCA) is not authorized until PBAS distributes the FMS trust fund obligation authority allocated by DFAS-DE/F. The funded fiscal station will be DFAS-DE/F (FSN 583400).

3. Establish a demand on a revolving fund, such as the General Services Administration (GSA) Stock Fund.

(2) FMS EA represents the authority granted to IAs by DFAS-DE/F to disburse funds directly from the FMS trust fund. FMS EA is a budgetary resource and does not represent U.S. Treasury cash.

(a) Self-reimbursement EA is the authority used to make collections into carrier accounts, such as reimbursable appropriations, receipt accounts, and revolving funds. These FMS trust fund disbursements "by self" reduce the need for FMS trust fund advances. Do not make disbursements from the carrier accounts until FMS trust fund collections are received.

(b) DC EA is the authority used to make disbursements to liquidate FMS trust fund obligations.

(c) EA is not required prior to disbursement for transportation charges for country code "LO" (Zero). EA is required for transportation citing country codes other than LO and a specific case and line, except for FMS administrative expenses discussed later in this chapter.

n. Appropriation limitation symbol. The appropriation limitation is a four-digit suffix to the FMS trust fund (Accounting classification code 97-11X8242) executive transfer account. Positions 1 and 2 are the country codes listed in DA Pam 37-100-FY. Numeric 00 is the country code for the administrative budget. Position 3 is the transaction code (R-Reimbursable, O-DC). Position 4 is the DOD security assistance component code. The DOD security assistance component codes are shown in table 35-6. Chapter 5 shows how the appropriation limitation suffix symbol appears in the fiscal code.

o. Trust fund advances/collections. Liquidate reimbursable carrier account receivables from the FMS trust fund using one of the following methods:

(1) Self-reimbursable EA. A no-check voucher for transfer between appropriations and accounts (SF 1080) to collect cash into a carrier appropriation and a disbursement from the FMS trust fund is the preferred cash management method. It will reduce, if not eliminate, cash advances from the trust fund.

(2) Cash advance. Use cash advances from the FMS trust fund to the carrier appropriation to fully finance FMS requirements without appropriated augmentation only if self-reimbursement EA is unavailable.

(3) Interfund transactions. DBOF Supply Operations transactions are automatically issued FMS EA by DFAS-DE/F for those billings that do not exceed \$2 million. Conventional Ammunition Working Capital Fund (CAWCF) transactions are automatically issued EA by DFAS-DE/F for the summary bill total.

(4) SF 1080. Use these vouchers when the receivable is based on earnings against DFAS-DE/F transfer of cash resources from the country, case, or lines to special holding accounts (for example, contract quality assurance charges).

p. Direct billing.

(1) A Primary activity authorized to direct bill will submit FMS bills to DFAS-DE/F, a surrogate customer for each authorized foreign government. USASAC Operations at New Cumberland, PA, as U.S. Army's centralized billing activity is the only U.S. Army organization authorized to direct bill DFAS-DE/F. USASAC will bill by the methods listed below.

(a) SF 1080s to liquidate an U.S. Army accounts receivable based on an earning with customer source code D. (See DA Pam 37-100-FY.)

(b) RCS DD-COMP(M)-1517 delivery reports to charge directly to specific country, case, or lines, including the pseudo-FMS administrative budget case. Prepare these delivery reports according to the instructions in DOD 7290.3-M, and include submission for liquidation of trust fund advances, as well as final delivery reports.

(2) Submit FMS bills for payment. Where required, delinquent accounts receivable reports apply, as outlined in chapter 15.

q. Indirect billing.

(1) Primary activities will submit FMS billings through USASAC. The two parties will mutually agree on billing procedures, to include forms and formats. USASAC will submit FMS bills to DFAS-DE/F using one of the two direct billing methods.

(2) Supporting activities are those organizations or activities that perform a service or provide materiel at the request of the FMS case or line manager or initiator, primary activity. The primary activity will record the reimbursable FMS customer order source code C00 or F00 for orders against cases after 1 October 1986. The supporting activity will record the inter-appropriation or intra-appropriation reimbursable customer order per DA Pam 37-100-FY as it applies to the normal carrier appropriation of the supporting activity. Use source code F00 for all inter-appropriation reimbursements using FMS DC allotment financing.

(3) Bill Interfund and DBOF Supply Operations secondary items indirectly through USASAC.

(4) Effective 1 August 1988, bill all U.S. Army cases through USASAC. Effective 1 October 1988, USASAC became the centralized biller for minor IAs supported by PBAS.

r. Billing adjustments and refunds. Make billing adjustments and refunds by reverse transactions to the customer (DFAS-DE/F, the primary activity, or supporting activity).

s. Discrepancies in shipments. Overseas and CONUS commanders may expend up to \$10,000 of locally available military department funds to correct deficiencies in a single military assistance sales shipment without referral to USAMC for prior approval. Do not plan for reimbursement for these expenditures, but incorporate in future programs and budgets. Send request for funds in excess of \$10,000 to correct deficiencies in single FMS shipment through normal funding channels to the Commander, USASAC, ATTN: AMSAC-MP-R, Alexandria, VA 22333-0001.

t. Outside or within-U.S. Army reporting and reconciliation. Account for financial execution and reporting for FMS transactions as any other U.S. Army customer. However, there are additional unique reporting requirements prescribed for FMS. Internal U.S. Army appropriation management is constant regardless of the customer source. The design and implementation of PBAS will ease this management requirement as well as satisfy the unique FMS directions.

(1) The PBAS LISTN provides reconciliation to the primary activities non-procurement appropriations (RCS CSCFA-112 RCS CSCAA-118) reports. The LISTN is also reconcilable to the RCS CSCFA-218 for DC transactions.

(2) The PBAS SCORDERS report must reconcile to the PAA Status of Reimbursements (Schedule D) (RCS CSCFA-210).

(3) The PBAS Statement of Transactions includes the FMS portion of the transactions on the RCS CSCFA-302 and RCS CSCFA-304 reports.

(4) The LISTN and SCORDERS deal with reimbursable customer orders received and DC allocation obligations. The PBAS Statement of Transactions deals with cash disbursements that liquidate reimbursable receivables or DC allocation obligations. The overall objective is to support the primary activity certifiable fiscal position.

u. Chief of Engineers cases.

(1) FMS mission.

(a) The USACOE oversees engineering construction programs conducted on behalf of FMS customers.

(b) The USACOE is required to report program costs incurred in constructing facilities for FMS customers.

(2) Financial. The USACOE, as an FMS case manager, adheres to current security assistance

regulatory policy in conducting the FMS engineering construction program.

(3) Fund flow.

(a) The USACOE manages its FMS program primarily through the use of DC accounting.

(b) The USACOE works with DFAS-DE/F through PBAS to obtain reimbursable and DC obligation authority to expand its performing accounts in execution of the COE FMS program.

(c) The USACOE works within its funding channels to control and pass obligation authority to USACOE field activities responsible for financially managing the respective portions of the FMS construction program.

(d) The USACOE works within its funding channels to control and release EA to USACOE field activities responsible for disbursing FMS contract costs related to the FMS construction program.

(4) Accounting.

(a) The USACOE maintains general ledger control of obligation authority and EA obtained from DFAS-DE/F to finance the FMS construction program. Obligation authority is recorded in the FMS trust fund through PBAS by USACOE personnel. DC obligation authority is cited with the proper COE fiscal station FMS construction contracts.

(b) EA, when issued by PBAS as authorized by DFAS-DE/F to USACOE, allows the proper USACOE disbursing station to disburse directly from the FMS trust fund. The USACOE reports the status of obligation and expenditures to DFAS-IN through a status report due the 11th calendar day following the close of the accounting month.

(c) The USACOE maintains its FMS customer order program in PBAS. The USACOE receives funding and processes deliveries through the PBAS. USACOE uses off-line RCS DD-COMP 1517 delivery reports submitted through PBAS to liquidate progress payments recorded at DFAS-DE/F.

v. Sales to Latin American countries.

(1) Organization.

(a) Since 1 October 1986, sales to Latin American countries are under the direction of U.S. Southern Command (SOUTHCOM).

(b) The U.S. Army Security Assistance Agency Latin America (USASAALA) manages the U.S. Army security assistance program in the SOUTHCOM Theater.

(c) The 193d Infantry Brigade and USASAALA are the OCONUS focal points for security assistance sales in Latin America.

(2) Financial policy.

(a) Conduct the USASAALA program per existing financial procedures in AR 37-series and DOD 7290.3-M.

(b) The 193d Infantry Brigade (Panama) provides financial support for the USASAALA security assistance program. USASAALA and USARSA will

submit accounting feeder data to the 193d Infantry Brigade by USASAALA and USARSA.

(3) Fund flow and accounting.

(a) AR 12-8 contains procedures for USASAALA management of FMS. Customer funds are required in advance in order for DFAS-DE/F and USASAC to implement DD Form 1513.

(b) 193d Infantry Brigade provides customer order financing requirements to USASAALA for input to PBAS.

(c) Establish FMS customer orders based on requisitions received from USASAC.

(d) USASAALA indirect bills DFAS-DE/F using the provisions of paragraph 35-10q above.

w. Sales to the Federal Republic of Germany (FRG)

(1) General policy.

(a) Conduct sales of DAS to the FRG per the Military Procurement Agreement between the United States and the Federal Republic of Germany, dated October 8, 1956, as amended.

(b) DODI 2110.32 provides rules for FMS to the FRG.

(c) SAOs within DA will report sales of DAS to the FRG in accordance with DOD 7290.3-M.

(2) Financial policy.

(a) DA components have the authority to sell DAS to the FRG under section 22 of AECA, as amended. That authority is up to 100 percent of DD Form 1513 when received by the DA component and implemented by DFAS-DE/F. The Comptroller, DSAA, is responsible for assuring sufficiency of German deposits in both the U.S. Treasury Deposit Account and FMS Trust Fund Receipt Account to cover costs of DAS sold under the provisions of section 21 of AECA.

(b) To comply with the AECA rule that FMS not be financed by U.S. Treasury funds, DA components must forecast funding requirements in DD Form 1513 and its revisions (DD Forms 1513-1 and 1513-2). Forecasts will include scheduled DAS deliveries and estimated progress payments and termination liability costs (in the event of contract cancellation).

(3) Fund flow.

(a) The FRG will deposit 15 percent of either the net case value on the DD Form 1513 or a specific project agreement amount. The FRG will make the deposit at the time of acceptance of DD Form 1513.

(b) When DFAS-DE/F completes the Army managed DD Form 1513, obligation authority will become available to the DA component. Obligation authority is required for funding the contracts of DAS sales to the FRG. The DA component must request EA from DFAS-DE/F to reimburse the U.S. Army appropriations or make progress payments to contractors. EA is equal to funds received from the FRG. However, the DA component must request obligation authority or EA by individual DA FMS

case.

(4) Accounting.

(a) DA components managing the DA FMS program with the FRG must provide budget forecast (schedule of payment) data to DFAS-DE/F.

(b) The responsible U.S. Army SAOs will perform delivery reporting for the FRG as for other FMS customer countries.

(c) DA SAOs responsible for DA FMS case closure will promptly issue the necessary case closure documentation on delivery of all materiel and services relative to each FMS case financed by the FRG. DFAS-DE/F, on receipt of each case closure certification from the U.S. Army, will make the final case billing to the FRG. DFAS-DE/F will work with the proper DA component, as required, to resolve Army billing inquiries made by the FRG.

(5) Reporting. DFAS-DE/F will consolidate FMS reporting to the FRG.

x. Special Defense Acquisition Fund (SDAF).

(1) Funding.

(a) The Defense Security Assistance Agency (DSAA) will provide all SDAF funding using a Military Interdepartmental Purchase Request (MIPR) issued by Defense Security Assistance Agency (DSAA). Funds made available on a MIPR are valid for obligation through 30 Sep of FY of issue by DSAA. Performing agencies are to decrease Economy Act (31 USC 1535) orders citing annual and multi-year appropriations to amounts obligated at the end of the FY when the appropriations expire for obligation purposes. Return unused funds to the DSAA by MIPR amendment. Upward adjustments to obligations after 30 Sep require funding by DSAA.

(b) Use the SDAF fund cite (Accounting Classification code 97-11X4116) with DFAS-DE/F Fiscal Station Number (FSN) (S843000) on all commercial contracts for procurement of SDAF assets. Designate DFAS-DE/F as the paying station on all commercial contracts. The provision of the Federal Acquisition Regulation (FAR) that allows more than one paying station for commercial accounts has been waived. U.S. Army disbursing stations may not make disbursements for SDAF contracts.

(c) DSAA MIPRs are routed through the U.S. Army SDAF Coordinator at the U.S. Army Security Assistance Command (USASAC), ATTN: AMSAC-MP/P, 5001 Eisenhower Avenue, Alexandria, VA 22333-0001. DSAA will coordinate preparation of MIPRs with the appropriate Major Subordinate Command (MSC) to ensure that the following requirements are met:

1. Only one type of major item is included on a MIPR. The procuring activity may create sublines where necessary. Use MIPRs to initiate procurement actions and accept as either DC funding or reimbursable as appropriate. Contracts for

procurement of major items will cite DFAS-DE/F's FSN and require payment by DFAS-DE/F.

2. Fund secondary items required from stock as reimbursable. The reimbursable source code to be used is 761 for SDAF (97X4116). Any major item support that can not be procured by contract will be included in the MIPR. This support requirement to cover fabrication, Government Furnished Equipment (GFE), set assembly, spares, and production engineering. See chapter 6, to compute fund availability upon receipt of Funded Reimbursement Authority (FRA). Fund all commercial contracts by direct cite (DC).

3. Accept procurement of major item components managed by other commands or activities and items from the Conventional Ammunition Working Capital Fund (CAWCF) as a funded reimbursable order. The RSC is 897. The Weapons System Manager (WSM) will issue a Project Work Directive (PWD) to the component citing the WSMs procurement appropriation. The PWD is to include the statement "funds supporting SDAF automatically expire for obligation purposes on 30 Sep and all funds not obligated, whether reimbursable or direct cite, are considered unused funds and must be returned to the requesting activity that issued the PWD."

4. The WSM will report procurement status and inventory data to the SDAF coordinator (AMSAC-MP/P) under the MIPR number funding the weapon system. Sales of the weapon system must include the MIPR control symbol for identification purposes.

5. Defense Contract Administration Services Region (DCASR) administered contracts will cite the SDAF the same as Army administered contracts. The contract paying office for DCASR administered contracts will also be DFAS-DE/F.

6. The WSM will requisition all DBOF Supply Operations items citing the reimbursable order account using Army "W" documents. The supporting MSC will be the "bill to" activity.

(2) Pricing. Use the FMS pricing procedures in Chapter 37 to price items procured for SDAF. Do not apply add-on factors for non-recurring RDTE and non-recurring production costs, and asset use charges to items sold to or procured for SDAF.

(3) Contingent liabilities. Use current year SDAF to fund contingent liabilities that materialize in the current year. SDAF monies appropriated in a given year cannot be carried forward to another fiscal year to fund price increases or contingent liabilities. Use current-year funds.

(4) Billing. Reimbursable costs include in-house costs, interfund billings, contract support, government furnished materiel, and costs incurred and billed by CM or other activities on a reimbursable basis. The performing activity will bill these reimbursable costs to DFAS-DE/F using SF 1080. Contractors will bill DFAS-DE/F direct for items purchased from

commercial sources.

(5) Sales from SDAF. Record items sold from the SDAF on a FMS case as a separate and unique line. AR 12-8 contains the applicable instructions to record SDAF sales.

(6) Administration. Identify the cost of administering SDAF operations separately in the FMS administrative fee budget process. The procedures in chapter 6 will be used.

(7) Contract Administrative Services (CAS). Use normal FMS procedures, as outlined in paragraph 35-9, to fund the cost of administering contracts for SDAF materiel.

(8) Inventory Losses. MSCs will absorb inventory losses related to DBOF Supply Operations items for SDAF. This includes stock loss allowances and any damaged or lost DLA and GSA items received in storage as a result of the MSCs requisitioning support of SDAF major item procurements.

(9) Packing, crating, and handling (PCH). Do not charge SDAF for the cost involved in PCH. When SDAF materiel is sold to a foreign government, the accessorial factors applied to FMS billings will recoup the PCH cost and DFAS-DE/F will reimburse the U.S. Army accordingly.

(10) Supplies in Storage. DSAA will issue a MIPR to the U.S. Army Depot Systems Command (DESCOM) to cover the storage. DESCOM will send billings for storage cost to DFAS-DE/F. Bills will be for direct, out-of-pocket costs incurred on major items.

(11) Transportation. Costs incurred to transport SDAF materiel to assembly or holding points that are not included in the item price, are funded on the original MIPR issued for such materiel as a separate line. Recoupment of transportation expenses for SDAF sales will follow existing FMS guidance in Chapter 37. The transportation procedures for materiel movement, contained in AR 12-8 and the Security Assistance Management Manual (SAMM), apply to sales of SDAF items to FMS customers.

y. Transfer of excess personal property.

(1) The Defense Reutilization and Marketing Office distributes lists of DOD excess personal property to eligible foreign governments. This office also negotiates the transfer of such property on a sales basis.

(2) The execution and accounting of such sales of excess property will be made under the purview of the Defense Logistics Service Center.

z. Sale of U.S. Army materiel to contractors.

(1) As part of an FMS case.

(a) The contractor must maintain the official records. Duplicate records will not be maintained by the U.S. Army. Purchasing officers responsible for contract administration will keep records of U.S. Army materiel that is furnished to a contractor;

1. For repair or servicing and return to the shipping

organization.

2. For use on a U.S. Government installation.

3. Under a short performance period and when the acquisition cost is \$25,000 or less.

(b) The contractor is responsible for all property under the provision of the contract. The contractor must establish and maintain a system to control, protect, preserve, and maintain all Army property. This system must be documented in writing.

(c) All applicable surcharges that apply to sales from stock apply to materiel provided to a contractor on an FMS case.

(2) For inclusion in an FMS commercial sale.

(a) The price that is charged to a contractor must include all the applicable surcharges as outlined in Chapter 37.

(b) Deposit the surcharges, except PCH, collected on this sale to SDAF. Collect the basic price into the proper appropriation. Deposit PCH collections to OMA.

aa. Report of discrepancy (ROD) processing.

(1) Process RODs for problems in the shipment of U.S. Army materiel through USASAC, Defense Distribution Region - East, New Cumberland, PA 17070-5096.

(2) USASAC will send a copy of the ROD to the responsible activity for research to determine if the ROD will be allowed or denied.

(3) The responsible activity will notify USASAC of the findings and provide supporting documentation, as required by AR 12-12.

(a) If the documentation is accepted by USASAC and the ROD is denied, USASAC will notify the FMS customer.

(b) If the ROD is granted, the responsible activity will process the necessary adjustments and notify USASAC.

(c) If the ROD is denied but the documentation provided is considered insufficient by USASAC, the responsible activity must confirm that shipment was made. USASAC will process the ROD using administrative fee budget funds provided for ROD on the current year FMS administrative case.

(4) USASAC will use the current year FMS administrative case for processing RODs. Appropriated funds will not be used to process RODs unless the U.S. Government through negligence was the primary cause for the ROD.

ab. Delivery reporting (RCS DD-COMP(M)1517).

(1) PBAS automatically sends a summary FMS Detail Delivery Report to DFAS-DE/F and USASAC. Data elements entered into PBAS when requesting EA are shown on this report.

(2) If a progress payment with DSC DE through DM is used when requesting EA, submit a delivery card to liquidate the progress payment. Submit off-line delivery reports with an "N" reimbursement code to DFAS-DE/F through USASAC.

(3) Billing offices must ensure that liquidating reports are consistent with previously reported progress payments. Over-liquidation may indicate a lack of full reimbursement. Liquidating reports are "noncash" transactions. Misclassifying progress payments on the delivery reports would result in deliveries being overstated on the billings sent to customers. If CAS costs are involved, the following rules apply to delivery reporting:

(a) Report progress payments to contractors with a DE or DK DSC and an "N" pricing code. The reimbursement code must be a code other than "N."

(b) Liquidate progress payments reported under subparagraph (1), above, with any DSC, an "N" reimbursement code, and an "E" or "A" price code.

(c) When no progress payments are involved for contractor effort, as might be the case on small contracts, use DSC DA through DD, and if CAS are to be computed, use a "N" price code. Show the "N" price code in the delivery listing. An "N" price code reported in any transaction with an "N" reimbursement code will reject.

(d) DFAS-DE/F will move the progress pay CAS amounts into delivery and performance sections of customer and IA reports by creation of a delivery report when computing CAS for (1) or (3) above.

(4) Non-Army disbursing stations must obtain U.S. Army EA prior to making disbursements from Army cases. This EA may be obtained by message, or telephonically, from Director, DFAS-IN, ATTN: DFAS-IN/AABC, Indianapolis, IN 46249-1326, AUTOVON 699-2610.

(5) Process State Department disbursements as follows:

(a) Obtain EA by using the FSN adjustment through PBAS.

(b) Use normal clearance procedures.

35-11. Accounting for supply support arrangements

a. General. This chapter applies to DA components concerned with the sale of defense materiel and services to foreign governments and international organizations under a CLSSA. When provisions in this regulation conflict with those of an existing CLSSA, the provisions of the CLSSA govern. With the approval of DSAA, military departments can offer a peacetime logistics support arrangement to foreign countries that have purchased U.S. military hardware. This arrangement is designed to provide responsive follow-on support to the purchaser. Support the purchaser on an equal basis with U.S. units having the same force activity designator. The CLSSA covers stockage, consumption, and storage requirements.

b. Foreign military sales orders (FMSO). AMC or designated agency will prepare and submit to the prospective customer for acceptance the FMSO-I and FMSO-II required to carry out the provisions of a

CLSSA. USAMC will coordinate the FMSOs with the commodity commands that will provide supply support. Prepare two FMSOs on DD Forms 1513 and submit to the customer at the time the CLSSA is signed. Handle both cases to anticipate and to satisfy FMS requirements within the issue priority designator. The authorized issue priority designator is equal to U.S. units with the same priority. A FMSO-I and a FMSO-II are required under a CLSSA.

(1) FMSO-I. A sales case is divided into two parts: Part A, The customers on-hand inventory, and Part B, an on-order dependable undertaking. Under this concept, the entire amount of the FMSO-I represents obligation authority; Part B provides the obligation authority necessary to award contracts covering administrative and procurement lead time. Cash paid by the customer under Part A is the dollar value of the customers investment in the U.S. Army inventory. Liquidate obligations incurred under part B for the on-order inventory with the cash received with customer requisitions processed under the FMSO-II case. FMSO-I, Part A, with amendments that increase its value, is subject to the onetime, nonrefundable administrative surcharge and the annual storage fees.

(2) FMSO-II. A sales case representing the customers anticipated yearly consumption under a CLSSA. For each quarter covered by the case, the customer must pay cash in advance into the FMS trust fund to cover requisitions to be submitted for the quarter. Requisitions processed under FMSO-II are subject to administrative surcharges, asset use charges, and applicable accessorial charges. FMS trust fund obligation authority must be advanced to the performing commodity command to establish customer orders in PBAS and incur obligations in the DBOF Supply Operations business area.

(3) FMSO-I and FMSO-II cycle for a matured CLSSA. The cycle of obligation, acquisition, requisition, issuance, and payment is summarized as follows:

(a) Pseudo requisitions issued by USASAC applicable to FMSO-I provide program authority to the commodity commands that furnish the supply support. Security Assistance Automation, Army (SA3) system pseudo requisitions for DBOF Supply Operations materiel will be released fully funded.

(b) The cash provided under FMSO-I, Part A, finances the customers on-hand inventory and provides for initial contractor progress payments.

(c) Fill customer FMSO-II requisitions received under a matured CLSSA from on-hand inventory.

(d) Replenish on-hand inventory through receipts from contracts awarded using obligation authority from FMSO-I, Part B, and pipeline replenishments made from processing FMSO-II requisitions.

(e) Make payments liquidating contractor obligations established with FMSO-I, Part B, obligation authority

and additions to the contract as a result of processing FMSO-II requisitions from cash collections resulting from FMSO-II sales.

(f) Increase obligation authority for on-order inventory as the result of requisitions from FMSO-II sales, and the cycle commences again.

c. Policy.

(1) The total case materiel value of FMSO-I, including amendments, represents obligation authority to be distributed by PBAS. FMSO-II provides obligation authority only to the extent requisitions are received and orders received established. Cash billings against FMSO-I, Part B, are not required unless:

(a) The CLSSA is partially or wholly terminated.

(b) It is found through a liability study that the country does have equity in the U.S. Army supply system that cannot be diverted to satisfy another requirement.

(c) Enough FMSO-II cash does not materialize to satisfy contractor progress payment.

(2) On receipt of accepted FMSOs and verification of DFAS-DE/F DD Form 1513 case implementation, two simultaneous actions follow. First, transfer obligation authority derived from the total FMSO-I case through PBAS to the applicable commodity commands. Use the obligation authority received to increase on-hand stock and on-order quantities in anticipation of customer requisitions. Second, the commodity command providing the supply support will bill (EA ISSUE-delivery report) DFAS-DE/F through PBAS for the cash derived from FMSO-I, Part A.

(3) Consider FMSO-I and FMSO-II cases as one rather than two separate cases paying particular attention to the relationship of FMSO-I, Part B, to the FMSO-II. This concept will require the establishment of a cross-reference system to identify FMSO-I, Part B, transactions with the associated FMSO-II sales (cash collections and customer orders).

(4) Do not use DBOF Supply Operations business area obligation authority based on CLSSAs to incur FMSO-I, Part B, obligations that will be impossible to liquidate when materiel is delivered to the DBOF Supply Operations business area. Carefully monitor the trend of CLSSA FMSO-II sales during the annual renegotiation. Consider termination or liability drawdown when demand data indicates that funding will be reduced.

(5) Include the cost of materiel at the standard price plus applicable charges and fees as required by Chapter 37 in billings to DFAS-DE/F for FMSO-II requisitions.

(6) In some instances, the normal 5 months on-hand and 12 months on-order levels are inappropriate for the particular equipment being supported because of extended procurement lead time. In these instances, CLSSAs must be negotiated

or amended to show more realistic on-hand and on-order levels. For audit purposes, maintain documentation to support the extended requirement.

d. Obligation authority

(1) Base stockage strictly on demands received under the CLSSA, except on newly negotiated cases. Incorporate these demands into U.S. Army procurement actions. After the initial stockage, procure only those items supported by customer demands. Specifically, invest CLSSA funds in stockage levels required to support the dollar value of sales anticipated. Do not use funds for anticipated parts except for new CLSSA negotiated cases.

(2) Implementing activities will include--

(a) Issuing materiel within the issue priority designator contained in the CLSSA requisition on the same basis as for U.S. Armed Forces.

(b) Eliminating manual updating. Base stockage on demands and anticipated requirements to satisfy demands only after a 2-year demand data base has been established through the CLSSA visibility file.

(c) Annual renegotiation or updating based on a prior 2-year demand history by a customer, once a history is developed.

e. Premature demands

(1) Process customer requisitions submitted under a CLSSA prior to obtaining required initial on-hand stock levels as premature logistics demands. FMS trust fund obligation authority must be available. Apply replacement pricing formulas per Chapter 37 to requisitions received before reaching the required on-hand stock levels. Fill CLSSA requisitions submitted prior to the expiration of a lead time needed to increase on-hand stock levels to the extent that there is no detrimental effect on the support of U.S. Armed Forces. Do not reduce stock levels below the reorder point.

(2) Code requisitions received prior to a CLSSA maturing as premature; process using the procedures that apply to requisitions submitted under a blanket open end (BOE) FMS case. The handling of premature CLSSA requisitions under BOE procedures is in accordance with the provisions of all newly established CLSSAs. Accordingly, an amendment or change to existing FMSO cases is not required.

f. Budgeting

(1) Identify CLSSA requirements as FMS transactions. Include funding requirements to support CLSSAs in DBOF Supply Operations business area budgets.

(2) To establish an initial dollar value for a CLSSA, the commodity command that manages the major end-item will determine the general range and quantity of repair parts necessary to support the end-items and densities identified by the customer as requiring support under the CLSSA. Once a two year demand data history is developed, it becomes the

instrument for establishing the dollar value of a CLSSA. Items procured for initial stockage under a CLSSA, not supported by demands, are subject to mandatory withdrawal.

g. Funding, accounting, and reimbursement

(1) FMSO-I, Parts A and B. Both pseudo requisition types of the FMSO-I provide FMS program authority equal to its value to the commodity command providing the supply support to the customer. The receipt of FMS trust fund obligation authority from DFAS-DE/F constitutes the authority to establish customer orders (FMSO-I, Parts A and B). DBOF Supply Operations business area program authority is included in the approved DBOF Supply Operations business area budget in accordance with paragraph f, above.

(2) FMSO-I, Part A.

(a) The financial requirements under Part A represent payment for the inventory level to be maintained on hand for supply to the customer. Upon receipt of DD Form 1513 executed in conjunction with a CLSSA, the commodity commands providing supply support will immediately draw down the cash the customer deposited into the FMS trust fund under the terms of FMSO-I, Part A, to finance the required on-hand inventory. Collect the funds into DBOF Supply Operations business area unallocated cash. Simultaneously, record a credit Reserve for Equity of Others to record the customer's dollar investment in on-hand inventory levels.

(b) Storage charges for the FMSO-I, Part A, on-hand inventory are:

1. Computed by applying an annual or monthly rate, as appropriate.

2. Billed by DFAS-DE/F per instructions contained in note 6 of the FMSO-II.

(3) FMSO-I, Part B. Base financial arrangements pertaining to Part B on the requirements for a dependable undertaking per the consummated CLSSA.

(a) When using the obligation authority based on FMSO-I, Part B, the responsible commodity command providing the supply support should establish internal control procedures. These procedures will ensure that the cash received from FMSO-II sales is enough to liquidate obligations incurred under FMSO-I, Part B.

(b) Cash billings are not required for FMSO-I, Part B, unless contractor payments exceed the FMSO-I advance. This situation could occur if FMSO-II requisitions do not generate enough cash to make required payments to contractors.

(4) FMSO-II. This is a CLSSA requisition or consumption case showing in a dollar amount the customers estimated use for an agreed period of time.

(a) Requisitions will be submitted by the customer under the financial terms of the case.

(b) An FMSO-II is an extension of the FMSO-I, Part B, in that it provides the basis for obligation authority only to the extent that requisitions are received. Liquidate obligations incurred under FMSO-I, Part B, from cash transferred from FMSO-II collections. The concept for relating FMSO-II to FMSO-I, Part B, requires, for cash management and control purposes, that the commodity command providing the supply support have a cross-reference system that will identify FMSO-II transactions with associated FMSO-I. Apply cash received from an FMSO-II sale to liquidate FMSO-I, Part B, obligations. The cash collection earned under FMSO-II will also be applied to liquidate previously established orders. For example, liquidate FMSO-I, Part B, orders by recording earnings and collections from cash collected.

(c) Normally close FMSO-II cases for requisitioning at the end of a 12-month period. Negotiate a new FMSO-II to cover the customer's estimated dollar amount of consumption for the subsequent 12-month period. Assign a new FMSO case designator each year.

(5) Use of funds collected.

(a) The commodity command providing the supply support under provisions of paragraph (b), above will record collections received for FMSO-I, Part A.

(b) The commodity command providing the supply support will use collections received under FMSO-II covering material, storage, and accessorial costs to reimburse the DBOF Supply Operations business area. Record collections into the OMA appropriation for accessorial charges per Chapter 37. In the event of termination of a CLSSA, FMSO-II apply funds to payments due under the CLSSA. Refund or apply the balance as directed by the customer.

h. Obsolete and excess items.

(1) When possible, advise the customer at least 2 years in advance when an end-item supported under a CLSSA will become obsolete in the U.S. Army. Delete customer requirements for items peculiar to the obsolete end-items from the CLSSA and from the supporting FMSOs through annual renegotiation or by separate correspondence.

(2) When items stocked in the U.S. Army supply system, both on-hand and on-order, become obsolete and excess during the effective period of a CLSSA, it will be necessary for the commodity command providing the supply support to liquidate such materiel. Liquidate in the following ways:

(a) FMSO-I items obsolete and excess to the U.S. Army and other users of U.S. support, but not to the customer. Under this condition, request the customer to withdraw its share of the on-hand and on-order inventory from U.S. Army stocks by FMSO-II requisitions. Additional quantities may be offered to the customer at fair value prices under Chapter 37. The U.S. Army will pay damages or termination costs

resulting from cancellation of contracts for items under procurement, provided the U.S. portion cannot be used by the customer. Subsequent requirements by the customer for items of this type will be per AR 12-1.

(b) FMSO-I items obsolete and excess to the customer only. (See para m, below.)

(c) FMSO-I items obsolete and excess to both the customer and the U.S. Army, including other users of U.S. support. When items become obsolete and excess to the requirements of the U.S. Army, users of U.S. support, and the customer, advise the customer to withdraw its share of stock by FMSO-II requisitions. The U.S. Army, users of U.S. support, and the customer will share damages and termination charges resulting from cancellation of contracts for items under procurement proportionately in accordance with their interests.

i. Customer-owned obsolete and excess items. When an item becomes obsolete and excess to the customer only, and the U.S. Army or other users of U.S. support do not have a requirement for the item, or the item becomes obsolete and excess to all parties (customer, U.S. Army, and users of U.S. support), the customer may request the U.S. Army to dispose of its obsolete and excess items. Upon disposal of the materiel, credit the country with the net proceeds or its share of the net proceeds.

j. Unusual stock losses. Assess losses due to enemy action, major disaster, or other casualty from a natural phenomenon to the customer in an amount proportionate to the ratio that the value of its stock case (FMSO-I) bears to the total value of stocks in storage.

k. Normal operating stock losses. The standard prices paid by the customer for a stock level of DBOF Supply Operations items include a surcharge for estimated normal operating losses in storage.

l. Reporting discrepancies. Customers may submit discrepancy reports for shortages, non-receipt, overages, duplicate shipments, and quality deficient items on SF 364 (Report of Discrepancy) to USASAC. USASAC will process RODs under the terms of the applicable DD Form 1513 and AR 12-1, AR 12-8, and AR 12-12.

m. Termination.

(1) An FMSO-I, once established, cannot be reduced below the total dollar value of disbursements or total value of support provided; that is, final disposition of on-hand or on-order items made against the case. To terminate or reduce an FMSO-I, the following requirements must be met:

(a) Coordinate with the command responsible for the funds 6 months prior to termination or reduction actions.

(b) Verify that the .125 percent monthly storage costs are charged the terminating or reducing customer for FMSO-I (Part A) on-hand equity. Apply

charges to the terminating or reducing customer until disposition is made of the terminating or reducing customer's equity.

(c) Adjust current year apportionments of anticipated reimbursable orders if the annual estimate of FMS orders changes. Some anticipated (current year) FMS orders may not materialize because requirements are met from existing orders originally identified to a country, but subsequently reduced due to termination.

(d) Submit a revised DD Form 2060 through PBAS to show changes.

(e) Adjustments to orders received as recorded in the PBAS may be required. This would occur when an unfilled order that is not to be completed exists against the terminating or reducing FMSO-I.

(f) The terminating or reducing customer's assets will be disposed of per (2) through (6) below.

(2) When termination is initiated by the customer and the items are not required by the U.S. Army or other users of U.S. support, the following additional actions will be taken:

(a) Cancel procurement action, or any part of it if possible.

(b) Submit reimbursable delivery report billings to DFAS-DE/F for any portion of the FMSO-I, Part B, if the contracts could not be canceled. Also, bill DFAS-DE/F for any damage or termination costs.

(c) Request disposition instructions from the customer for any customer-owned stocks.

(d) Consider only the unexecuted portion of the FMSO-II and FMSO-I, Part B, obligation authority available for return through PBAS.

(3) When termination is initiated by the customer and the items are required by the U.S. Army, take the following action, in addition to those in subparagraph m(2), above. The DBOF Supply Operations business area is available for obligation to cover the termination or a reduction of customer's case. Use these funds to assume any unliquidated obligations on contracts.

(4) When termination is initiated by the customer and the items are required by another FMS or CLSSA customer, paragraphs (1) and (3) above will apply. In addition, the procedures below must be followed.

(a) For audit trail purposes, create local records to provide a cross reference between the terminated or reduced FMSO-I and the replacement FMSO-I or other FMS customer.

(b) Credit cash collected into U.S. Army appropriations from the terminating customer as a result of performance of the terminating FMSO to the terminating customer's account. Charge the replacement customer's account for all existent equity diverted from the FMSO-I.

(c) Change all documentation proving the existence of the FMSO being terminated or reduced to show

the replacement FMSO.

(d) The customer purchases the FMSO-I equity being diverted from the terminating or reducing FMSO-I in the exact value of the negotiated terminating or reducing FMSO-I.

(e) CLSSA customers will submit termination drawdown requisitions (preferably on a separate FMSO-II case). Coordinate the submission of these requisitions in advance between the CLSSA customer, USASAC (AMSAC-O), and the commodity command.

(5) The commodity command providing the supply support will not receive obligation authority during the period of termination of a CLSSA. The obligation authority to establish on-hand and on-order levels was provided upon initiation of the CLSSA.

(6) Terminate a CLSSA only when final settlement covering all supply and financial transactions for both FMSO-I and FMSO-II is completed. The commodity command providing the supply support will coordinate final settlement with USAMC or its designated agency to ensure an orderly and complete termination of the CLSSA. Supply and financial transactions under the FMSOs will be completed when--

(a) All on-hand and on-order stocks that apply to the customer have been withdrawn or disposed of per instructions by the customer.

(b) Applicable charges for storage, if any, have been submitted for payment.

(c) All funds collected have been reimbursed to the DBOF Supply Operations business area or the proper appropriation.

(d) Funds deposited under FMSO-II that have not been applied to closing transactions, if any, have been refunded to or applied as directed by the customer.

(7) Deviations from these procedures must have the approval of Director of Defense Finance and Accounting Service-Denver Center, ATTN: DFAS-DE/F, Denver, CO 80279-2000 and HQDA, ATTN: DALO-SAA, Washington, D.C. 20310-0512.

35-12. Administrative fee

a. Areas of assignment.

(1) DFAS-DE/F, Denver, Colorado, is responsible for allocating obligation authority and EA to each military department and establishing obligation authority ceilings in PBAS.

(2) The Director, DFAS-DE/F will set FMS financial policy and procedures. The Director, DFAS-IN is designated the proponent agency and Data Base Administrator (DBA) for PBAS.

(3) The Deputy Assistant Secretary of the Army (Budget) is the PM for the Army's FMS administrative and SAO (formerly MAAG) budget authorizations and, as such, performs budget analysis and program and fund distribution functions.

(4) The CG, USAMC, special operating agency (SOA), will determine FMS trust fund authority distribution to USAMC and the GOAs including activities financed by HQ, USAMC (GOA-6A).

(5) GOAs (U.S. Army activities only) will forecast and budget for FMS obligation authority and record FMS obligation authority. GOAs will provide FMS administrative and SAO budget obligation authority forecasts and budgets to the PM through budgetary channels. PBAS will issue authorizations for FMS obligation authority. Execution authorities (FMS obligation authority-FAD) will be issued by PBAS upon user demand by terminal key entry. This FMS obligation authority used ("pulled") will only be for that portion of the cumulative quarterly allocation made weekly, semi-monthly, or monthly. The Executive Agent for Security Assistance, (CG, USAMC, delegated to CG, USASAC) acts as the PBAS entry point for GOAs located outside CONUS that do not have access to PBAS. USASAC has delegated this responsibility to DFAS-IN, DFAS-IN/A, for Korea. FMS trust fund obligation authority is subject to fiscal control procedures related to administrative subdivisions of funds.

(6) The Director, DFAS-IN, when making departmental fiscal reports, will verify compatibility between the program and funds distribution (PBAS Status of Trust Fund Authorities) and the GOA or SOA fiscal execution report (RCS CSCFA-218). Should compatibility not exist, DFAS-IN will return the reports for correction. The Director, DFAS-IN, will also provide DCSLOG, ABO, OASA(FM&C), the executive agent, and GOAs fiscal execution data and help to resolve discrepancies.

b. Administrative budget process.

(1) Formulation and submission.

(a) Budget formulations. All U.S. Army commands or activities incurring cost in support of the FMS program will prepare annual budgets for related administrative and SAO expenses. To support those budgetary requirements, each activity required to prepare and submit an FMS budget will establish accounting controls to support their annual submission. Budget submissions will include support for workyear requirements. Starting with the FY 90 budget call, submit separate budgets for full time administrative and part time logistics support charge (LSC). DSAA will determine which organizations or sub-element to fund by the administrative budget and which to fund from the LSC budget. Submit these budgets through the activity's MACOM to the Deputy Assistant Secretary of the Army (Budget).

(b) Budget submission. The Office of the Deputy Assistant Secretary of the Army (Budget) (Security Assistance) will review, consolidate, and submit the consolidated U.S. Army budget to DSAA for approval. Upon approval, the DSAA Comptroller will advise the U.S. Army of the approved level and

advise DFAS-DE/F to issue quarterly allocations per the approved funding plan.

(c) Budget program management. The Deputy Assistant Secretary of the Army (Budget) will initiate the distribution of U.S. Army's administrative, LSC, and MAAG budget allocations through PBAS. To accomplish this, they will establish pseudo cases for the administration, LSC, and Military Assistance Advisory Group (MAAG) budgets in PBAS each fiscal year. There will be separate lines for each command or sub-activity responsible for program execution. Submit DD Forms 2060 to DFAS-DE/F through PBAS. Designate the FMS administrative budget obligation authority request and approval as FMS country code "00," DOD IA Code "B," and a three-character case identifier consisting of an alpha in the first position and the fiscal year in the second and third positions. For example, the U.S. Army FY 90 FMS administrative budget is identified as FMS Case 00-B-A90. The LSC case will use "L" and the SAO case will use "M" instead of "A" in the first position.

(d) Obligation authority apportionment. DFAS-DE/F will establish FMS obligation authority ceiling in PBAS for each FMS budget case. DFAS-DE/F will base these FMS ceilings on DSAA budget approval. By message DFAS-DE/F will advise the U.S. Army of the quarterly allocation of obligation authority and EA which will be in equal amounts.

(2) FMS trust fund authority for obligation authority distribution and accounting.

(a) See chapter 6 for distribution of FMS authority. See chapter 7 for policy concerning violation reporting.

(b) Upon DFAS-DE/F establishment of FMS trust fund obligation authority ceiling, the Office, Deputy Assistant Secretary of the Army (Budget) will authorize program and fund distribution by a PBAS message, based upon approved levels.

(3) Budget execution obligation authority.

(a) The Deputy Assistant Secretary of the Army (Budget) will update PBAS data base upon the receipt of DFAS-DE/F messages. This will establish a separate line for each command routing identifier code (RIC) as a limit to which the GOA is allowed to incur cost within the cumulative quarterly allocation.

(b) GOAs will use PBAS to obtain an allotment of DC obligation authority and record the obligation of that obligation authority; to record customer orders in the respective appropriations, support regulatory deposits to the U.S. Treasury, and report status of DC obligation authority. Pull the obligation authority by the obligation EOR for basic symbol 8242. The FMS FAD will represent the obligation authority recordable in the fiscal records as required. Obtain obligation authority and record them in accounting records in a timely manner to ensure that the FMS program is not subsidized by appropriated funds.

(4) Budget execution expenditure authority.

(a) Because DFAS-DE/F allocates obligation authority and EA in equal amounts, pull of obligation authority automatically reserves EA in a like amount. Record funds (EA) as required by paragraph C above. Unlike regular FMS cases, EA will not be pulled prior to disbursement.

(b) Disbursing activities will exercise care to be certain that the FMS disbursement is one not requiring EA.

c. Administrative budget execution review.

(1) Review of FMS obligation authority and disbursement execution is considered essential to effective management.

(2) The PM will review FMS obligation authority and disbursements at least once each month. PBAS will provide, upon demand, in a real-time environment, a utilization report. The PM may redistribute FMS obligation authority allowance based on unapplied allowances. The PM will coordinate with the SOA prior to redistribution of FMS obligation authority allowance. PBAS data elements on the Utilization report (Part B) are defined as follows:

(a) LINE. An assigned line number for each manager's portion of the FMS budget.

(b) LINE VALUE. The annual funding program as approved by DSAA for the appropriate manager or command.

(c) DIFS CUM EXPEND. The cumulative billings processed by DFAS-DE/F.

(d) EA ISSUED. The cumulative EA issued against FMS lines through PBAS. (Will be zero for the administrative cases.)

(e) RIC. A unique code assigned to each line manager that further identifies the manager.

(f) Requisition (RQN) VALUE. The total, cumulative, quarterly allocation.

(g) RQN MANAGER. A unique PBAS user name.

(h) PRON NON-APA. The fund type and fiscal year.

(i) CUST ORDER REC. The amount of obligation authority pulled.

(3) In addition, DFAS-IN will produce any requested special ad hoc data base inquiry reports which will facilitate prudent management of FMS administrative funds.

d. Administrative budget reporting requirements.

(1) FMS obligation authority. Enter a FMS FAD into the official accounting records in the accounting period in which received. Report these appropriation increases through the official accounting system to the Director, DFAS-IN. Report obligations on the RCS DD COMP(M)1518 report at the three digit object class level.

(2) FMS disbursements. Report FMS trust fund disbursements to the Director, DFAS-IN, using RCS CSCFA-218 Status of Approved Resources, at the four digit EOR level. The Director, DFAS-IN will render the departmental RCS DD-COMP (M) 1518

(Status of Administrative Expense Allotment report) to DFAS-DE/F at the three digit object class level. PBAS will generate nonreimbursable delivery reports and submit to DFAS-DE/F as required by DOD 7290.3-M.

e. Administrative budget case review and closure procedures

(1) Trimester case reviews. Review unliquidated obligations on FMS administrative cases as directed in chapter 28. Adjust obligations as required.

(2) Closure procedures. When the unliquidated review shows that the case line manager has no unliquidated obligations outstanding:

(a) The line manager will, using PBAS, return all unused DC obligation authority and will prepare a line closure certificate in accordance with paragraph 35-10k. Send the line closure certificate to the Deputy Assistant Secretary of the Army (Budget), ATTN: SAFM-BUO-S, Washington, DC 20310-2800. The authorized officer will advise DFAS-DE/F of any funds which are available for withdrawal.

(b) When line closure certificates have been received for all of the lines on an FMS administrative case, The Director of the Army Budget will prepare a case closure certificate in accordance with DOD 7290.3-M and send the completed certificate to the Deputate for Security Assistance, ATTN: DFAS-DE/F, 6760 E. Irvington Place, Denver, CO 80279-2000.

35-13. Contract administration services and prompt payment interest charges

a. General.

(1) When procuring for a foreign government as an FMS, DOD applies the same contract clauses and contract administration as it does when procuring for itself. Waivers are authorized per AECA, as amended.

(2) Contract administration functions are identified in the FAR and include;

(a) Contract management.

(b) Price and cost analyses.

(c) Negotiation of contract charges.

(d) Financial analyses.

(e) Review of contractors' systems.

(f) Final decision of costs allowed.

(g) Convenience and default termination settlements.

(h) Administration of U.S. Government property and plant clearances.

(i) Disposal of contract inventories.

(3) DFAS-DE/F applies a surcharge to cover the cost of CAS at a rate specified by the OSD comptroller.

(4) Organizations authorized to bill for CAS are identified in DOD 7290.3-M, paragraph 70305.

b. Recovering CAS costs.

(1) Submit DD Form 2060 to DFAS-DE/F before

incurring actual FMS CAS costs. The Deputy Assistant Secretary of the Army (Budget) (Security Assistance) is the PM and performs functions similar to the administrative fee budget process, except no pseudo case will be established in PBAS. Like the administrative budget, U.S. Army activities will establish accounting controls to support their annual budget submissions. Values submitted to the DASA(Budget) are the anticipated CAS costs to be incurred for that fiscal year. The DASA(Budget) will consolidate the submissions, prepare a DD 2060 and submit to DSAA for approval.

(2) MACOM's will submit FY anticipated requirements for actual CAS costs to the DASA(Budget), HQDA, ATTN: SAFM-BUO-S, WASH DC 20310-2800. These anticipated reimbursements are not the percentage application to real FMS cases. The percentage application is made by DFAS-DE/F and obligation authority required posted to PBAS by SA3.

(3) Upon approval by DSAA, the DASA(Budget) issues message allocations to the performing MACOMs, with subsidiary breakdowns by MSC, or other appropriate organization subdivision.

(4) The MACOMs will either suballocate or allot as appropriate via message.

(5) Line managers will establish reimbursable customer orders in the performing appropriation. Prepare a monthly SF 1080 and submit to DFAS-DE/F for reimbursement for actual FMS CAS costs.

(a) DFAS-DE/F will provide reimbursement for those costs incurred as reported on the RCS DD-COMP(M) 1517 report using one of the following valid codes:

1. DA--contractor services.

2. DB--DBOF Supply Operations items from contractor.

3. DC--secondary item from contractor.

4. DD--principal major item from contractor.

5. DE--progress payments to contractor.

6. DK--shipped from contractor.

7. ED--publications from contractor.

(b) Reimbursable codes are: I-interfund, R-reimbursable, S-self-reimbursable, and D-direct cite.

c. Prompt Payment Act (PPA) interest payments

(1) 31 USC 3902 and 31 USC 3903 apply to all Federal agencies that acquire property or services from a business concern. It requires an interest penalty when payment for a delivered item or service is not made by the required payment date or when an improper discount is taken. The penalty is calculated on the amount of payment that is past due. This Act applies to all contracts issued on or after 1 October 1982.

(2) When interest payments are being made for an FMS customer, these penalties will be financed from funds of the paying activity's performing account or by direct cite of the FMS trust fund for the applicable

FMS case and line. The following procedures will be used to disburse and report FMS interest charges incurred:

(a) Direct Cite. Access the FMS case, through PBAS, and obtain expenditure authority (EA) equal to the interest penalty charges.

(b) Self Reimbursement. If the performing account initially financed the interest charge, users will obtain self-reimbursement EA and effect a self-reimbursement SF 1080 charging the country, case, line and reimbursing the financing account.

(3) In either instance, pull EA using delivery source code "DE". Enter "Late Interest" in the nomenclature national stock number (NSN) field of the RCS DD-COMP-(M)-1517 report.

35-14. Support of international military activities

a. Overview.

(1) This chapter prescribes procedures governing-

(a) Implementation of instructions for the U.S. Army to establish administrative arrangements, reimbursement and billing procedures, and a method to compute the dollar value of credits due the United States for the support of international military activities.

(b) Assignment of responsibilities for the support of international organizations and identifying reimbursable and nonreimbursable support.

(c) Identification of the support that U.S. Army components can expect to receive from international military organizations and whether such support is on a reimbursable or nonreimbursable basis.

(d) Establishment of policies for financing U.S. contributions to and receipt of credits from international military organizations in which the United States participates.

(e) Establishment of policies for paying U.S. personnel employed in international military organizations and verifying the credits received from the organizations for such personnel.

(2) This chapter does not apply to the provision of intelligence or cryptologic support provided under authorities other than those cited herein.

(3) This chapter implements DODI 2010.1 and applies to all U.S. Army activities performing financial management for international military activities.

b. Policy.

(1) The U.S. Army provides nonreimbursable support to international military organizations by the following two methods:

(a) Through a financial contribution to the budget of the international organization.

(b) By assignment of U.S. military elements to the international organization under the terms of international treaties or agreements. The definition of an international agreement and the authority under which one may be negotiated is set forth in DODD 5530.3. U.S. military elements may be assigned

either on a long- or short-term basis. Typically, short-term assignments would be for participating in a joint exercise or maneuvers conducted under the auspices of the international organization.

(2) Support under the above two methods are not reimbursable to the U.S. Army. However, when members of the U.S. military provide services that were included in the international organization budget (for example, a U.S. military member occupies an international civilian billet), the support will be reimbursable. (See para 35-15d(1) below.)

(3) All other support provided to the international military organization and military elements of participating foreign countries is reimbursable to the performing U.S. Army component. That support must be provided under one of the authorities described in paragraphs 32-10d(2), (3), or (4).

(4) An international organization and the administrative agent will support the U.S. military element of the international military organization on a nonreimbursable basis. Support to other military units in the area including units of the administrative agent will be on a reimbursable basis. When such military units receive support, a contractual agreement or arrangement or both will be drawn up between the military department concerned and the international organizations.

c. Responsibilities.

(1) The Secretary of the Army programs and budgets the annual U.S. contributions to the various North Atlantic Treaty Organization (NATO) bodies in the OMA appropriation including the NATO Airborne Early Warning and Control Force.

(2) The administrative agent.

(a) Budgets for U.S. contributions to designated non-NATO international military organizations. When the U.S. Army is not the administrative agent for a NATO body, the designated agent provides the U.S. Army with program and budget information on the annual contribution for inclusion in the OMA appropriation.

(b) Coordinates with appropriate U.S. representatives within the international military organizations to ensure that effective procedures and controls are prescribed for budgeting, obligating, disbursing, and receiving credits incident to administering the U.S. Government contributions.

(c) Programs and allocates resources in a manner that provides the international organization the highest possible level of support under paragraphs 35-15b and 35-15d(2), (3), or (4) consistent with financial constraints that may be imposed through the normal program and budget process.

(d) Support U.S. military elements attached to the designated international military organization on a nonreimbursable basis unless the support is an international budget cost or is a budget responsibility of another military department (table 35-7). The

standards and directives of the administrative agent will govern the level and type of support furnished. Support requirements based on input provided by the U.S. military element are included in the administrative agent's annual budget. In carrying out this support responsibility, the administrative agent ensures that no parallel support facility is established when the support may be performed economically by local sources.

(e) Provides U.S. military elements that are tables of organization and equipment (TOE) or equivalent units with replacement issues of consumable and nonconsumable materiel, obtaining peculiar items when necessary from supply systems of the assigning military service on a reimbursable basis.

(f) Provides U.S. military elements that are tables of distribution (TDA) or equivalent units with both initial and replacement issues of consumable and nonconsumable materiel.

(g) Establishes table of allowances, unit allowance lists, base allowance lists, and other entitlement documents for U.S. military elements attached to the international military organization.

(h) Budgets for the cost of civilian employees of the U.S. Government assigned to positions in the international military organization. These employees keep their status of U.S. employees and are paid from U.S. funds at the U.S. scale of pay and allowances. However, since such employees are filling international positions, their pay and allowances at the appropriate international pay scale is budgeted by the international military organization where they are assigned. A sum equal to the pay and allowances at the international scale is collected from the international organization and reflected in the reimbursable portion of the Army budget. The U.S. Army direct budget absorbs any differences. U.S. civilians occupying positions in international military organizations on a direct-hire basis (not as U.S. Government employees) are provided for as specified in other applicable U.S. Government regulations that deal with such employment. They are remunerated by the international military organization concerned at the applicable international pay scale. They have no entitlement to pay and allowances or benefits of U.S. Government employees.

(3) The U.S. Army--

(a) Budgets and funds for personnel costs of U.S. Army personnel included in the U.S. military element.

(b) Budgets and funds for personally assigned equipment provided to its U.S. Army personnel included in the U.S. military element.

(c) Makes initial issuance to U.S. Army units of U.S. military elements that are table of organization and equipment or equivalent units.

(d) Finances requirements that are considered essential for U.S. Army personnel assigned to the

U.S. military element which cannot be obtained from the administrative agent because of budgetary constraints.

(e) Budgets and funds component-peculiar requirements such as flying qualifications, medical examinations, personnel training and development, and social actions of U.S. Army personnel.

(f) Supports other requirements when the cost is chargeable to the administrative agent on an inter-Service (reimbursable) basis.

(g) Provides appropriate support to foreign military elements or to international military organizations as required in paragraphs d(2) or (3) unless further identified in this chapter as items of nonreimbursable support.

(h) Budgets for official hosting and representation activities as authorized by the ASAFM&C.

(4) The head of a U.S. military element supports the international military organization on a nonreimbursable basis except either of the following:

(a) The costs of a military member assigned to an international civilian position.

(b) When such support requires augmentation of the element's normal manpower, equipment, or other resources from other U.S. sources.

(5) The head of a U.S. Army component supports the international military organization and participating foreign countries on a reimbursable basis according to the AECA or NATO Mutual Support Act (NMSA) of 1979 unless otherwise specified in this chapter.

(6) The commander of a unified command coordinates the activities of the administrative agents concerned in implementing this chapter within areas of command jurisdiction.

(7) The head of an international military organization supports U.S. military elements on a nonreimbursable basis for those support areas set forth in the scope of the budget for international military headquarters and agencies.

d. Procedures.

(1) Reimbursements are due the United States from international military organizations for U.S. personnel (military or civilian) occupying international positions. The amount of credit equals the pay and allowances for the positions at the international scale. The credit is an offset to the U.S. contribution to the international organization.

(a) The administrative agent screens the personnel administration and payroll computations for U.S. employees, as performed by the international organization, to ensure the accuracy and sufficiency of data and credits to be granted. This information is sent to the coordinating agent, who reconciles it with the credit granted by the international organization. Three times a year, after completing the reconciliation, funds are transferred. Using SF 1080, the coordinating agent initiates funds transfer from

the account funding the U.S. contribution to the international budget to the administrative agent's account that funds salaries.

(b) Exception to this offset credit procedure. International military organizations located in CONUS. Contributions in U.S. Dollars make direct reimbursement of the international pay and allowance equivalent to the administrative agent for any U.S. personnel assigned to international positions.

(2) Reimbursements are due the United States from international military organizations for reimbursable support as required by the AECA. Pricing and billing authority is provided by Chapter 37 and this regulation for U.S. Army services performed, articles delivered from inventory, or new procurement initiated.

(3) Reimbursements are due to the United States from international military organizations for reimbursable support provided by the NMSA. When the U.S. Army acquires or transfers logistic supplies, support, and services under the cross-servicing authority of the NMSA, pricing is according to reciprocal or nonreciprocal pricing principles cited in the NMSA International Support Agreement. Use Chapter 37 to price transfers under reciprocal pricing principles. Billing procedures under the NMSA are set forth in the MACOM implementing instructions and Chapter 12 of this regulation.

(4) Reimbursements are due the United States from international military organizations for reimbursable support provided under authorities other than the AECA or NMSA.

(a) Price all leases of real and personal property authorized by 10 USC 2667, according to DOD 7290.3-M and Chapter 37. Do not lease property with a life expectancy of less than 3 years or a value of less than \$1,000. Provide on a sales basis under paragraph 11-3b or c. If U.S. Army services or materiel are provided under other than the AECA (PL 96-323) as amended or 10 USC 2667 authorities, the U.S. Army component providing that support documents the legal authority before providing the service or materiel.

(b) The designated official of the DOD component furnishing the support_

1. Originates promptly and in detail SF 1080 to bill the administrative agent or the designated coordinating agent.

2. Prepares the invoice for reimbursable support on constructive delivery.

3. Distributes SF 1080s as follows:

(aa) Submits two copies of SF 1080 with supporting detail to the international military organization receiving the services or materiel for verification of the charge.

(ab) Sends the original (disbursement SF 1080) and the collection copy (SF 1080) without supporting detail to the administrative agent or the designated

coordinating agent.

(ac) Retains the additional copies, with supporting detail as may be required by the billing office, pending receipt of executed vouchers.

(c) The administrative agent or the designated coordinating agent_

1. Requests the comptroller of the NATO command or the appropriate international organization concerned to provide a monthly listing of the charges that have been accepted.

2. Ensures that such charges are reflected as offset credits to the United States in the callup of contributions to the international budgets.

(d) The coordinating agent matches the monthly listing of accepted charges with outstanding SF 1080s and process SF 1080s for accepted charges and payments to the billing office. On receipt of the validated SF 1080s, the billing office processes the collection.

(e) The designated coordinating agent verifies that the offset credits are properly applied by performing a reconciliation of SF 1080 billings to the monthly list of accepted charges.

(f) Exception to the above procedure. When materiel or services are furnished to international military organizations located within CONUS and to which contributions are made in U.S. Dollars, the U.S. military activity providing the support is responsible for billing the international military organization directly and obtaining reimbursement in U.S. Dollars.

(g) Delinquent accounts receivable resulting from procedures cited in this paragraph are processed as required by chapter 15.

e. Scope of budget for international military headquarters and agencies. The international budget includes the types of costs in (1) through (12) below, except as limited by exclusions. This list is not necessarily complete but is illustrative of costs accepted by the NATO Military Budget Committee as international charges. The comptroller of the international military organization concerned and the U.S. representative is consulted if there is doubt whether the cost of any article or service is a proper international charge.

(1) Civilian personnel, administrative staff. This includes pay and authorized allowances of Non-U.S. personnel employed by an international headquarters for the performance of international functions including secretarial, clerical, or technical assistance.

(2) Civilian personnel, operational staff. This includes pay and authorized allowance of personnel locally hired for the following purposes:

(a) Custodial.

(b) Industrial.

(c) Operational, including upkeep of the premises and fixed or movable equipment used by the headquarters or its support units or fixed

installations.

(d) Supervision or operation of headquarters' fixed and movable equipment other than office equipment.

(e) Operation of headquarters' enlisted food service facilities.

(3) Rents and maintenance of office space, barracks, warehouses, and other commercial-type buildings. This includes the cost of--

(a) Taxes.

(b) Utilities.

(c) Liquid and solid fuels.

(d) Sewage and garbage disposal service.

(e) Supplies and materiel for janitorial and hygienic services (national support unit barracks excluded).

(f) Supplies, materiel, and contractual expenses for maintenance, repair, and minor alterations to buildings and facilities including replacement of minor installations and fixed equipment when damaged or worn beyond repair.

(4) Operation of general services. This includes the cost of--

(a) Stationery and general office supplies for the headquarters and all units assigned in direct support.

(b) Rental of required office equipment.

(c) Supplementing available equipment per internationally approved standards.

(d) Printing, binding, and reproduction.

(e) Purchase of maps, charts, and terrain models for peacetime use.

(f) Newspapers, periodicals, and library supplies.

(g) Photo supplies and photographic processing.

(h) Drugs and other expendable medical supplies for first aid stations.

(5) Communications. This includes the cost of--

(a) Procurement and installation of switchboards.

(b) Radio transmitters and receivers.

(c) Telephone exchanges.

(d) Mobile communications equipment including related signal vehicles.

(e) Rental of commercial-type equipment for additional requirements.

(f) Repair and maintenance of communications equipment including supplies and spare parts.

(g) Commercial communications including installation and reinstallation charges for leased or other use of local, national, and international telephone, telegraph, and teletype circuits.

(h) Postage and postal fees.

(6) Transportation. This includes the cost of--

(a) Rental or purchase of passenger and cargo vehicles.

(b) Petroleum, oil, and lubricant (POL) products for vehicles and other equipment used in direct support of international headquarters.

(c) Supplies and spares required for organizational maintenance of vehicles and related equipment.

(d) Commercial freight, local hauling, and express

charges for internationally procured supply and equipment items including shipping charges for contribution-in-kind from member nations to place of receipt.

(7) Travel of international staff.

(a) Civilian personnel. This includes transportation and per diem costs of temporary duty travel on official business.

(b) U.S. military personnel. When traveling on official business under travel orders issued by an authorized international headquarters that directs payment to be charged to international funds, the costs of such travel are payable as follows:

1. From international funds. Cost of transportation furnished by MAC and/or a common carrier including taxi fares and privately owned conveyances under previously approved conditions.

2. From U.S. appropriated funds. Per diem and other expenses authorized by U.S. travel regulations.

(8) Exercises and maneuvers. When directly related to an allied command training exercise, the following costs must be included in the budget:

(a) Commercial communication services and facilities provided solely to fill a requirement of the exercise on behalf of the participating nations.

(b) Civilian labor hired in connection with the exercise by the inter-allied field headquarters and not properly chargeable to the host nation.

(c) Rental of additional commercial transportation required at the inter-allied headquarters for the exercise.

(d) Utilities costs for inter-allied headquarters if at a place other than existing military post.

(e) Reproduction of photographs and film strips required by the directing staff for later international training or critique purposes when source of production is other than a military unit.

(9) Miscellaneous expenses. This includes the representational and hospitality expenses of the supreme commanders for international purposes.

(10) Contingencies. This includes claims for losses by fire, theft, and other damages and costs to employ legal representation in civil court actions.

(11) Construction. This includes the cost for design and new construction of building and facilities; such as housing, structures, utilities, and modification and alteration of existing buildings and facilities. Also included are costs for fixed equipment; sewage, gas, water, and electrical supply systems; roads; and approaches.

(12) Furniture and equipment. This includes the cost for--

(a) Office furniture and equipment procured within internationally approved standards for the direct support of international headquarters and agency activities.

(b) Equipment for maintenance of kitchens, shops,

and heating of electrical plants.

(c) Furniture used in barracks, food facilities, recreation rooms, dining rooms, and clubs.

35-15. International mutual logistics support

a. Purpose. This paragraph establishes financial policy and procedures for the acquisition (purchase) and transfer (sale) of logistics support, supplies, and services between the U.S. Army and forces of the North Atlantic Treaty Organization (NATO), NATO subsidiary bodies, and other eligible countries.

b. Financial policy. The NATO Mutual Support Act (NMSA) provides the legal basis for the interchange of logistics support, supplies and services between the U.S. and eligible countries and NATO subsidiary bodies. AR 12-16 discuss two separate types of authority authorized by the NMSA. The first is for acquisition of logistics support, supplies and services from eligible countries and NATO subsidiary bodies. Second, authority is granted in conjunction with cross-servicing agreements, to sell to or exchange logistics support, supplies and services with a foreign country. These authorities are in addition to the other authorities provided under law.

c. Compensation. Acquisitions or transfers will be compensated by using one of the following methods:

(1) Reimbursable. Payment for supplies (materiel) and services in the currency of the supplying nation, but at the exchange rate of the billing nation.

(2) Exchange. Replacement-in-kind with identical or substantially identical support, supplies or services. Supplies or services, not to be replaced-in-kind, require a determination by the receiving or issuing U.S. Army organization that the replacement supplies or services have the same "form, fit, and function"; for example, fuel for fuel, 155 howitzer ammunition for 155 howitzer ammunition, and food services for food services.

d. Pricing. Price using one of the following methods:

(1) Reimbursable acquisitions and transfers require use of either reciprocal or nonreciprocal pricing. With either method, document prices. This includes the use of HQDA approved inflation indices.

(a) Reciprocal pricing principles.

1. Price supplies from country inventories of logistic support and government services at the same prices for identical logistic support, supplies or services as the supplying government charges its own armed forces (that is, Army Master Data File or standard price). When the U.S. Army is the supplier, charge the rates for cross-service logistics support or services.

2. For specific acquisitions (new procurement) by the supplying country from its contractors for a recipient country, the price should be no less favorable than those prices charged to forces of the supplying country. This will consider price

differentials due to delivery schedules, points of delivery, and other similar considerations attributable to dissimilar needs of purchasers.

(b) Nonreciprocal pricing principles. If a reciprocal pricing agreement cannot be obtained from the eligible government, or for a NATO subsidiary body, U.S. Army commands will use the following nonreciprocal principles:

1. For acquisition, U.S. officials delegated authority to negotiate cross-servicing agreements or to acquire logistics support, supplies and services will determine, after price analysis based on prior experience and supporting data, if the price for acquiring supplies or services is fair and reasonable, considering all applicable circumstances. If this determination cannot be made, no acquisition will take place.

2. Price transfers by the U.S. Army using the full (FMS) costing requirements of Chapter 37.

(c) Additional guidance. Commanders of major U.S. Army commands or their designee may waive indirect costs (including charges for plant and production equipment), administrative surcharges, and contract administration costs only on a reciprocal basis when applying either reciprocal or nonreciprocal pricing principles.

(2) Price exchange acquisitions and transfers as follows:

(a) For the replacement transaction use the same price as the original transaction. Do not allow any dollar value variation on any exchange transaction.

(b) For acquisitions, use standard (that is, Army Master Data File (AMDF)) prices for substantially identical U.S. furnished support. If standard prices are not established, use estimated prices.

(c) For transfers use standard (that is, AMDF) prices if reciprocal pricing agreements exist.

(d) For exchanges later converted to reimbursable transactions retain the original price.

e. Crediting receipts. Credit any payment received for logistics support, supplies, and services for reimbursable transfers by U.S. Army commands as shown below.

(1) If initially recorded as reimbursable transactions credit to the financing appropriation or fund current at the time materiel is dropped from inventory or services performed.

(2) If initially recorded as an exchange, but converted into a reimbursable transaction due to nonreceipt of replacement materiel or services, credit to the financing appropriation or fund current at the time of conversion to a reimbursable transaction.

(3) If materiel is purchased from a DOD stock fund by a DOD user and is sold on a reimbursable basis to an eligible recipient, credit the current year Operation and Maintenance account.

f. Liquidation of liabilities and credits.

(1) Provide for liquidation of all U.S. Army

outstanding accounts receivable and accounts payable at least once every 3 months. Normally, submit consolidated quarterly bills in January, April, July, and October for the past 3 months' activity. For example, the January bill will include performance which took place in October, November, and December. Include necessary supporting documentation. Bills should be paid 30 days from the date prepared.

(2) Settle exchange transactions through the issue or receipt, as applicable, of replacement supplies or services under the terms of an agreed replacement schedule. Periods established in the replacement schedule will not exceed 1 year. If replacement is not made within the established period, convert the exchange transaction to a reimbursable transaction. Be careful converting transactions to avoid exceeding the reimbursable limitations in paragraph g.

g. Acquisition and transfer limitations. The Joint Chiefs of Staff issue NMSA acquisition and transfer ceilings to unified commands. Unified commands issue ceilings to subordinate commands who in turn issue to component MACOMs, and so forth. Do not exceed the purchasing or selling limits.

(1) During any fiscal year, total liabilities accrued from reimbursable acquisitions will not exceed the ceiling made available for this purpose. Within this ceiling, there may be a subceiling for liabilities resulting from reimbursable acquisitions of supplies (including repair parts coincidental to maintenance) other than petroleum, oils, and lubricants. Do not use accounts receivable to offset accounts payable when computing totals.

(2) During any fiscal year, total credits accrued for reimbursable transfers will not exceed the amount made available for this purpose. Do not use accounts payable to offset accounts receivables when computing totals.

(3) The dollar ceilings do not apply--

(a) During periods of active hostilities in the military regions affected.

(b) To exchange transactions, except when they are converted to reimbursable transactions under paragraph f (2) above.

(4) Do not make reimbursable acquisitions or transfers unless the transacting U.S. Army activity has sufficient reimbursable acquisition or transfer authority. No activity shall enter into reimbursable acquisitions or transfers unless they have been provided an approved authorization.

(5) By 30 July of each year, all affected U.S. Army commands will prepare a request for reimbursable acquisition and transfer authority. The request will--

(a) Identify the total amounts required to support the command's projected reimbursable acquisitions and transfers for the next fiscal year. Use existing budget authority to purchase or sell.

(b) Identify separately the amounts needed for

reimbursable acquisitions or transfers of POL, other supplies, maintenance, and services. Attach justification, including a prioritization of requirements.

(c) Include priorities and justification for the amounts requested.

(d) Submit to respective MACOM DCSLOG or DCSR as appropriate.

(6) The MACOM will review all U.S. Army requests, determine priorities, and submit requests to the Unified Command (UC) with information copies to subordinate commands, as applicable.

(7) The UC will review the request and advise the MACOM of the amount of authorization. The MACOM will issue authorizations to the requesting U.S. Army commands. These commands will then distribute the authorization to the using activities.

(8) To ensure that reimbursable acquisition and transfer authorizations made available to U.S. Army commands are not exceeded, MACOMs will establish methods to obtain data to control the use of these authorizations. The controls may be adjunct to, or an integral part of, existing accounting or fund control and customer order systems. They will be designed to ensure that data on the use of these authorizations are extracted from appropriate source documents and reflected promptly in the records of affected U.S. Army activities.

h. Accounting requirements.

(1) MACOM commanders will prescribe forms containing the data elements identified in tables 35-8 and 35-9. Accounting Officers will use these forms to document acquisitions and transfers in their accountability records. Finance officers will use these forms to document reimbursable acquisitions and transfers, including those converted from original nonreimbursable transactions, in their financial records.

(2) Any accounting station receiving an authorization to incur obligations based on the authority of this regulation will use current systems or establish a subsystem to the normal appropriation or fund accounting system to provide data on using this authority. Similarly, under the earned reimbursement authority a customer-order subsystem must be established to provide data on using such authority. Record source documents pertinent to the authorized dollar amount and its use promptly in the subsystem records. These records will include the following:

(a) Obligations (DoD unfilled orders for materiel or services and accrued expenditures based on receipt of the materiel or services ordered).

(b) Disbursements.

(c) Accounts payable.

(d) Collections.

(3) Establish control over exchange transactions and maintain an exchange transaction history file. Input to the history file by submitting each transaction form that includes the applicable information required

by tables 35-8 and 35-9.

i. Reporting requirements under RCS DD-COMP(A)1570 is described in chapter 30.

35-16. Cooperative projects

a. Overview. Cooperative projects entered into between the U.S. Army and one or more of our allies or international organizations are authorized in Section 27, AECA (22 USC 2767), as amended. The purposes of these projects are to reduce development and maintenance cost and to promote rationalization, standardization, and interoperability (RSI). They are divided into three broad categories; (i) cooperative research and development projects, (ii) cooperative support of the NATO Maintenance and Supply Agency (NAMSA) maintenance projects, and (iii) cooperative production support projects. Include the responsibilities of each partner in a cooperative project in the MOU for that project. Each MOU must be staffed within, accepted, and signed by an authorized official from each participating government.

b. Financial requirements for MOUs on cooperative projects. Some cooperative projects may require the deposit of funds by one or more partners, into either a foreign or domestic bank account. The funds deposited may be in either foreign currency or U.S. Dollars. Those projects requiring a U.S. Army disbursing officer to disburse or transfer funds from those accounts will contain statements in the MOU limiting the liability of the U.S. Government, its agents and employees. That is, "All parties to this agreement agree to indemnify and hold harmless the U.S. Government, its agents, and employees from any loss of funds except for gross negligence."

c. Cooperative research and development projects.

(1) These are projects for the joint development of new weapon systems. U.S. funding will be in accordance with U.S. Treasury Policy for financial transactions with foreign nations and international organizations. Each participating country or international organization (partner) will provide funding as agreed in the MOU for the particular weapon system. Normally the U.S. Army will be the primary partner. As the primary partner, the U.S. Army will be responsible for prime contracts in relation to the project as well as providing overall administration.

(2) Contracts will normally be funded with a combination of U.S. Dollars and foreign partner currency, although a foreign partner could deposit U.S. Dollars. The U.S. Army contribution will be from RDTE appropriated funds. U.S. Army funds will be provided through normal budget/funding channels and will be reported in compliance with applicable regulations and procedures. If funding is to be provided via an advance payment, advances shall be limited to no more than the amount required to fund

expenses for 30 days. Send a request for advance payment approval to the ASA(FM&C), Room 3B714, ATTN: ASA(FM&C)-FCL, Mr. Riggins, Pentagon, Washington, D.C. In all cases, these requests must include a schedule of estimated expenses by quarter for the duration of the fund advance. Fund U.S. personnel assigned to these projects using appropriated funds, as security assistance funds are not authorized for this purpose. The foreign participant(s) will provide their share by cash contributions. Deposit the foreign participant(s) contributions as required by the MOU, into a bank selected by the participating government, and approved by the United States Treasury. The participant making these deposits retains title to and responsibility for all funds in these accounts. Restrict transfers or withdrawals of funds from these accounts to the designated U.S. Army FAO.

(3) To facilitate collections and disbursements, the selected bank of each country must be a member of the Society for Worldwide Interbank Financial Telecommunications (SWIFT). The responsible U.S. Army FAO will manage these foreign accounts through a U.S. correspondent bank. The contract with the U.S. correspondent bank will require them to be responsible for deposits made into foreign banks to include security and adherence with payment instructions of the responsible FAO. Select the U.S. bank through normal contracting processes using the following requirements:

(a) Must be a member of the Federal Reserve System, and

(b) Must participate in international banking, and

(c) Must be a member of SWIFT.

(4) To facilitate advances deposited into commercial banks, use the following additional requirements:

(a) Payment of interest at competitive rates.

(b) Timely identification of interest earned.

(c) Interest disposition according to participants' instructions.

(5) Appropriated funds must pay for support of an international project. Do not fund any part of these projects with interest derived from interest earnings on U.S. contributions. All interest earned on U.S. advances must be deposited into U.S. Treasury Miscellaneous Receipt Account 3210 (General Fund Proprietary Receipts Defense Not Otherwise Classified). (See DA Pam 37-100-FY.) Interest earnings may not be used to reduce future calls for funds or any funding derived outside of the appropriation process.

(6) The responsible U.S. Army FAO provides accounting support for the project. Accounting and reporting for the U.S. Army portion of the effort will be in accordance with normal procedures for any RDTE financed project. Treat funds deposited by a participating foreign government into an acceptable

banking institution as an allotment of funds and control commitment, obligation, and disbursement in that manner. Follow normal status reporting procedures. Report and control foreign currency in denominations of each country. Transmit notification of each deposit from the SWIFT member bank receiving the deposit through the U.S. correspondent bank to the responsible U.S. Army FAO. Obligate funds deposited in foreign banks to the prime contractors for later award of subcontracts to firms of the country in which the deposit is held. Incrementally fund contracts. Quarterly modifications to contracts are required as funds become available. Account for each foreign participants portion as a separate appropriation with unique codes to separately identify each participant in the currency of the respective foreign government. Record transactions directly from the source document (deposit notification, PWD, contract, and invoice) which gives an accounting in each foreign currency obligated on the prime contract. Upon receipt of deposit notification, the responsible U.S. Army FAO will furnish a copy to the appropriate Program Coordinator. Based on receipt of the deposit notification, the responsible U.S. Army FAO will record the amount as an allotment/program for later certification and obligation of funds. The Program Coordinator will issue AMC Form 1095, Procurement Work Directive, in the currency of each foreign participant to the FAO for fund certification giving the authority for contract award. The contract will obligate U.S. funds and foreign currencies. Certification of foreign currency availability will not exceed foreign currency funds on deposit. The contractor will award subcontracts in each country and in the currency of that country. Include provisions for incremental funding of the contracts. Incremental funding (obligations) will not exceed the cumulative deposit of any participant. Foreign subcontractors will bill the prime contractor for work performed in the normal manner; however, instead of paying the foreign subcontractor, the prime contractor will submit separate, certified invoices for each foreign subcontractor to the U.S. Contracting Officer for approval and subsequent payment by the responsible U.S. Army FAO to the foreign subcontractor on behalf of the prime contractor. After examination and approval for payment to the foreign subcontractor, the FAO will request the U.S. correspondent bank to direct payment through the SWIFT network to the foreign subcontractor. The outgoing message will contain the name, address, and bank account number of the foreign subcontractor, the amount of payment to be denominated in the required foreign currency, and the name of the foreign banking concern holding the foreign deposit. The outgoing message will request that payment be confirmed by return message to the

responsible FAO. When the confirming message is received, make disbursements through accounting records. Provide a copy of the disbursement voucher to the prime contractor as evidence of payment and to the contracting officer and the weapon system program coordinator.

(7) Monthly status reporting of the U.S. funds is required by existing regulations. Monthly status reports for the foreign participant(s) funds will be in the same manner. Submit these reports to the Program Coordinator for distribution to the appropriate recipient.

d. U.S. Army support of NAMSAs maintenance projects.

(1) This paragraph establishes the policy for handling the funding and accounting requirements for U.S. support of NAMSAs under the various weapon systems (WS) partnership agreements.

(2) NAMSAs program objective and operating plans are translated into an administrative budget and an operating budget. The administrative budget covers projected expenditures for agency salaries, travel, ADP support, overhead, and so forth, and is formulated in Luxembourg Francs. The operational budget represents projected expenditures for the acquisition of spares and equipment (investment) and maintenance and modification of spares and equipment (recurring). The currency in which the operational budget is formulated can vary from one Weapon System Partnership Agreement (WSPA) to another. The U.S. portion of the NAMSAs budget, converted to U.S. Dollars constitutes the basis for obligations.

(3) Commit and obligate funds via AMC Form 1095 initiated by the program resource manager. Submit to the Finance and Administrative (F&A) committee member who will indicate approval in accordance with the Weapon System Partnership (WSP) budget and submit it to the Weapon System Partnership Committee (WSPC) member whose signature constitutes an obligation of U.S. Dollars. Each AMC Form 1095 will identify whether it is administrative or operational, the NAMSAs BLIN, and the NAMSAs budget number. All accounting will be by NAMSAs BLIN to include the NAMSAs budget number representing the obligating document number.

(4) NAMSAs will submit all calls for funds to the WS F&A committee member of the WSPC who will forward the invoice to the appropriate resource manager. The resource manager will certify for payment and return to the F&A committee member who will certify consistency with amounts previously authorized by the WSPC.

(5) The F&A committee member will submit invoices calling for funds to the WSPC member for approval of payment. They will then be sent, by transmittal, to the FAO. The transmittal should specify U.S. Dollars for payment by accounting

classification and procurement request order number (PRON) related to the appropriate NAMS BLIN on the invoice. If funds have not already been committed and obligated, an AMC Form 1095 must accompany the invoice (call for funds).

(6) The FAO will process certified invoices as disbursements and remit payment to the bank (to include account number) identified on the invoice.

(7) Since these payments represent payments for purchased services, title to the funds pass at the time of payment. Do not identify interest earned on deposits by country. Account for the total interest earned as NAMS miscellaneous income which NAMS uses to reduce total costs for the WSP. Allocate net WSP actual costs to each country, based on the WSP approved cost sharing formula. Compare results to cash credits. NAMS will issue a final statement (invoice) which will be used to adjust costs to actual. If net cost is greater than cash credits, add the result to the NAMS budget for the next year. If net cost is less than cash credits, NAMS will issue a check to the responsible U.S. finance and accounting officer, treating this as an appropriation refund to the financing appropriation.

(8) Adjust payments for operational costs to actual using the NAMS annual cost analysis furnished in the April time frame each year. The cost analysis is in the format of the budget and compares budgeted amounts to actual cost. Adjust the estimated cost to actual for the FY funds initially financing the requirement. When accounting by BLIN, underruns on one BLIN can be used to finance overruns on another BLIN within the same appropriation. This will be jointly determined by the resource manager and the finance and accounting committee member.

e. Cooperative production support projects.

(1) These projects are established so the U.S. Army may provide engineering and other services that support the establishing of production lines in partner countries for weapon systems being jointly developed. The provision or arrangement of such services or articles is initiated by a request issued by the European Executive Agency (EEA) to the WS Project Management Office (PMO) specifying the support services required.

(2) An International Production Support Order (IPSO) will be established between the WS PMO and the EEA. The IPSO will be prepared based on the requirements in the request from the EEA. Annex A must be a part of and attached to every IPSO. A copy of the IPSO as well as Annex A can be found at figures 35-2 and 35-3 respectively. The IPSO will include all necessary details, terms and conditions under which the support service will be provided. This includes personnel and materiel costs, schedules, termination liability cost, and an estimated payment schedule. General terms and conditions are attached at Annex A to the IPSO. Special terms and

conditions will be listed in Annex B of the IPSO as required. An example of Annex B as well as the payment schedule can be found at figure 35-4. The IPSO will be the basis for preparation of the contract package and the determination of price and availability of articles and services. If sole source procurement is requested, it shall be stated in the IPSO and the specific source identified.

(3) For common support services to be provided to the U.S. and EEA, the cost of such services will be shared as provided for in the Procurement Supplement of the MOU for the WS development. For unique support services, provided for EEA only, the EEA will fund the total cost of such services. In addition, the EEA will reimburse the WS PMO for all in-house government effort required to negotiate and administer the implementing contracts.

(4) Funding and financial management of this program will be as follows:

(a) The EEA will establish a U.S. Dollar account with a bank in the United States. The bank selected must be a member of the Federal Reserve System. A banking agreement will be established among the EEA, the selected bank, and the responsible FAO. This agreement will block the bank account(s), making the responsible FAO or his designated representative the only persons authorized to direct transfers or payments from the bank account(s).

(b) The EEA will make deposits in U.S. Dollars into the bank account in the amounts and times stated in the payment schedule in the IPSO. Notification of a deposit from the bank to the responsible FAO, as defined in the banking agreement, will constitute a reimbursable order. This cash deposit will then be used as the basis for establishing a reimbursable order in accordance with chapter 12. Subsequent fund certifications may be made to support award of contracts, in-house orders, and so forth. The funds will remain on deposit until withdrawn by the responsible FAO according to the banking agreement. Funds will be withdrawn as required to pay invoices for program cost. The FAO assumes responsibility and accountability for these funds when in time they are transferred to or deposited in the finance and accounting officer's U.S. Treasury account.

35-17. Unit exchange of training and related support

a. Overview. This subparagraph implements DODI 2010.11 and DOD 5105.38-M Security Assistance Management Manual (SAMM). It provides policy for conducting a unit exchange of training and related support between the DoD and friendly foreign countries or international organizations. The SAMM gives general program guidance to carry out an exchange.

b. Policy.

(1) Arrange a unit exchange only as part of an

international agreement as defined in AR 550-51. AR 12-15 provides the policy, duties, and procedures to authorize and form exchange military units.

(2) A unit exchange of training and related support may include transportation, food services, health services, logistics, and the use of facilities and equipment. Only military and civilian defense personnel receive or take part in the training. The training will be on an exchange basis. If an exchange of units does not begin within 12 months, the training will become a reimbursable transaction.

(3) Offices responsible for reciprocal unit training must determine that training complies with AR 12-15. Resource management functions must support training offices to ensure validity of estimated actual cost of training and estimated value of training received.

c. Procedures.

(1) Pricing. A MACOM which takes part in a reciprocal unit exchange will use the following pricing guidelines:

(a) The MACOM office delegated authority to negotiate agreements under AR 550-51. With assistance from the resource management office they will make a price analysis based on prior experience and current supporting data. The price will be fair and reasonable. The analysts must consider all applicable circumstances. If the comparable value in paragraph c (2)(a) below cannot be made, the training and the related support may not take place.

(b) Reciprocal unit exchanges of any training or related support are subject to the pricing in Chapter 37. The MACOM designated resource management function will compute (for example, validate training office estimate) and record an estimate of the actual cost of each reciprocal unit exchange. Use this estimate to report costs incurred. If an exchange of training and support does not occur, use the estimate of actual cost to repay the supplier. Record an obligation when the office responsible for training notifies the resource management function in writing that the exchange will not take place or if the exchange does not take place within 12 months from the date the training began.

(2) Liquidation of credits and liabilities. There are two methods to pay back unit training and related support:

(a) Reciprocal exchange. The MACOM which sponsors the exchange must determine in writing that the reciprocal unit exchange has a substantially comparable value. Comparable value received is the sum of the monetary and nonmonetary values that comprise the total exchange value. The monetary value can be viewed as an estimate of the actual cost the U.S. would have had to pay for the training received. The nonmonetary value is an estimate in dollars of benefits received and/or cost avoidances

realized by the U.S. Retain the document showing the method which depicts comparable value for audit.

(b) Reimbursable. Payment for training and related support will be made in the currency of the supplying nation. The payment will be made if reciprocity fails within 12 months from the date the training began.

(3) Conversion to reimbursable training. The servicing FAO will take the following actions when notified that a reciprocal exchange does not take place within 12 months:

(a) When the U.S. Army does not reciprocate, convert the exchange to a reimbursable transaction. Upon direction of the designated resource management function, the FAO will record an obligation at the time it receives written notice that the exchange will not take place. Liquidate the obligation within 30 days. The documents sent with the bill will fully explain the reasons for not returning the training and related support during the prior 12 months.

(b) When the U.S. Army does not receive reciprocal training or related support, convert the exchange to a reimbursable transaction. The accounts receivable will be set up under miscellaneous receipt account 21R3210.0001, "General Fund Proprietary Receipts, Defense Military, not Otherwise Classified." The FAO will bill consulate or embassy of the foreign country or as otherwise provided for in the agreement. Payment will normally be required within 30 days of the invoice date.

d. Reporting requirements for the RCS DD-COMP(A) 1789 are contained in chapter 30.

35-18. International agreements

a. Purpose.

(1) This paragraph sets forth the pricing, fund control and accounting procedures to be followed when DOD Components negotiate and/or implement an international agreement and any annexes, appendices, amendments, or modifications thereto.

(2) DOD Directive 5530.3 provides the DOD policies for the approval of international agreements and establishes various categories of international agreements. The term "international agreement" includes any agreement with one or more foreign governments (including their agencies, instrumentalities, or political subdivisions) or with an international organization. It includes any document identified as an international agreement, memorandum of understanding (MOU), memorandum of agreement, memorandum of arrangements, exchange of notes, exchange of letters, technical arrangement, and so forth. It does not include Foreign Military sales (FMS) transactions (contained elsewhere in this chapter). Neither does it apply to contracts entered into under the provisions of the Federal Acquisition Regulation or agreements

financed with security assistance funds.

b. Overview.

(1) There are various types of international agreements with different financial implications. International agreements must be consistent with established DOD Directives and DOD Instructions, unless approval to deviate is obtained from the proponent of the applicable guidance.

(2) Each international agreement package has five mandatory documents: a legal memorandum, a fiscal memorandum, a technology security risk assessment, a defense industrial base assessment, and the proposed agreement. The fiscal memorandum identifies all financial implications of the agreement and provides all information required for a complete understanding and analysis of those implications. The legal memorandum identifies the statutory authority for any obligation or expenditure of U.S. appropriated or nonappropriated funds involved in the agreement and the legal basis for use of U.S. Government property by or for a foreign government or international organization contemplated by the agreement.

(3) DOD Directive 5530.3 requires that no international agreement be negotiated or entered into without the concurrence of the Assistant Secretary of Defense (Comptroller) (ASD(C)). For a proposed international agreement within the approval authority of a DOD Component outside the Office of the Secretary of Defense, obtain concurrence from the DOD Component Comptroller. Use the guideline list (figure 35-5) to ensure that all financial and pricing requirements have been considered.

c. Legal memorandum. The legal memorandum is critical to the preparation of an agreement and is the basis for determining financial requirements. Prepare the legal memorandum following DOD Directive 5530.3 and submit for final review only by the appropriate legal office. Comptroller organizations use the legal memorandum in conducting their analysis of international agreements and determining if there are any special pricing or funding requirements. The legal memorandum normally provides the following information:

(1) The legal basis for the agreement. The legal memorandum documents the legal authority for entering into the agreement. There are various legal authorities, some general and some quite specific.

(2) Standard financial legal clauses.

(a) Fund the costs incurred by the Department of Defense in participating in the agreement from direct appropriations provided to the DOD.

(b) Support any obligation of the DOD appropriations under an international agreement by showing that it is a reasonable and necessary expense required for the accomplishment of DOD missions unless the use of DOD funds for other than a DOD mission is specifically authorized by statute.

(3) The agreement category. The specific category is important since DOD Directive 5530.3 identifies the individual authorized to sign the agreement and the organization whose coordination is required. The type of agreement has major implications on the financial rules that apply to the agreement. The various types of international agreements are described as follows:

(a) Technical, operational, working, or similar agreement or arrangement concluded pursuant to a treaty or executive agreement that entails implementing arrangements.

(b) Agreements for cooperative or reciprocal operational, logistical, training, or other military support, including arrangements for shared use or licensing of military equipment, facilities, services, and non-physical resources. These agreements set forth the period allowed for exchange of materials and services. They also establish the financial settlements that must be made if the exchange does not take place. DOD services or materials provided are priced according to Chapter 37, unless a determination (see paragraph c(4), below) has been made that special pricing rules apply.

(c) Agreements relating to combined military planning, command relationships, military exercises and operations, minor and emergency force deployments, and exchange programs including those pursuant to 10 USC 2114(a). If materiel and services are exchanged, the agreements set forth the period allowed for exchange of materials and services. They also set forth financial settlements to be made if the exchange does not take place. DOD services or materials provided are priced according to Chapter 37, unless a determination, using paragraph c(4), below, indicates that special pricing rules apply.

(d) Agreements for the collection and exchange of military intelligence (except signals intelligence agreements).

(e) Agreements for the collection or exchange of military information and data other than military intelligence. (Includes mapping, charting, and geodesy).

(f) Cooperative research, development, test and evaluation, technical data exchange, and related standardization agreements that are not implemented through the Security Assistance Program. Full costs must be identified and shared equitably. Cost sharing may be accomplished through the following:

1. Pooling of monies and designation of lead country to manage the program, collect cash, and award contracts. Specific shares of program cost are set forth in the agreement.

2. No pooling of monies or designation of lead country. Specific efforts to be accomplished by each country and estimated costs of such efforts are set forth in the agreement.

(g) Co-production, licensed production, and related standardization agreements that are not implemented through the security assistance program. Full costs must be identified and shared equitably. Cost sharing may be accomplished through the following:

1. Pooling of monies and designation of lead country to manage program, collect cash, and award contracts. Specific shares of program cost are set forth in agreement.

2. No pooling of monies or designation of lead country. Specific efforts to be accomplished by each country and estimated costs of such efforts are set forth in the agreement.

(h) Agreements relating to the sharing or exchange of DOD communications equipment, facilities, support, services, or other communications resources with a foreign country or alliance organization, (for example the North Atlantic Treaty Organization (NATO) (including agreements pursuant to 10 USC 2401a), the use of US military frequencies or frequency bands, and the use of U.S. communication facilities and/or systems by foreign organizations, whether overseas or in the CONUS)). The agreements set forth the time period allowed for exchange of materiel and services. They also set forth financial settlements to be made if the exchange does not take place. DOD services or materiel provided are priced in accordance with Chapter 37, unless a determination under paragraph c(4), (below) indicates that special pricing rules apply.

(i) Military and industrial security agreements under the provisions of DOD Directive 5230.11. Do not transfer technical data under these agreements.

(j) Agreements relating to on-base financial institutions (for example, military banking facilities and credit unions), and international financial agreements requiring U.S. Treasury Department coordination under DOD Instruction 7360.9.

(k) Agreements relating to communications security technology, services, support, research, or equipment development and production. Information to be shared includes technical data on military hardware, and intelligence data. If the technical data is used to manufacture items, normal nonrecurring charges are assessed unless a recoupment waiver has been granted. Refer to DOD Directive 2160.2, "Recoupment of Nonrecurring Costs on Sales of U.S. Products and Technology".

(l) Military related signals intelligence agreements.

(m) International agreement in lieu of a DOD contract. There is no requirement to reimburse the Department of Defense for materiel or services provided as DOD furnished materiel. This is the equivalent of government furnished materiel provided to a contractor. However, because the agreement represents a contract, obligate applicable funds when the agreement is signed; in addition there must be a

determination that the price being paid by the Department of Defense is fair and reasonable. Funds shall be obligated at the budgeted rate for foreign currency at the time the agreement is signed.

(4) Special legal pricing requirements. The legislative authority to enter into an agreement also may mandate special pricing requirements on the United States. Thus, the legal memorandum should identify any peculiar pricing that must be reflected in the agreement. Without specific legal authority to price on other than a full cost basis, DOD services and materiel shall be priced on a full cost basis. (See Chapter 37.)

(5) Legal requirement for the disposition of monies collected by the Department of Defense. This is important because amounts collected as reimbursements for DOD materiel or services or new procurements must be deposited into the miscellaneous receipts of the U.S. Treasury, unless there is specific legal authority to credit collections to a DOD appropriation or fund. Clearly state the legal citation for the disposition of monies. Use special care with cooperative development or production agreements described in paragraphs c(3)(f) and c(3)(g), above. At this time, there is no authority to return reimbursements to DOD appropriations for this type of agreement. Therefore, if the Department of Defense is the lead Agency, arrangements must be made to establish a commercial bank account or a U.S. Treasury deposit account when collections are to be used to pay contractors (see paragraph d(2) below).

(6) Legal requirement for recognition of obligational authority in DOD appropriations. Obligational authority is created only to the extent that cash is collected and deposited into the U.S. Treasury, unless legal authority exists to create obligation authority on a dependable undertaking (contract authority) basis.

(7) Special prohibitions or requirements on the use of appropriated funds. The legal memorandum should identify any special prohibitions or requirements on the use of appropriated funds in support of the agreement. These special prohibitions are in addition to the standing prohibitions discussed in paragraph d(3) below. An example of a special requirement is using FMS credit funds to finance co-production or licensed production in a foreign country. The approval of such use requires the Secretary of State first to advise the U.S. Congress. (See Section 42(b) of the Arms Export Control Act (AECA)).

d. Fiscal memorandum. The fiscal memorandum documents the various financial considerations involved in implementing an international agreement. Include the following specific considerations in the fiscal memorandum:

(1) Financing sources for U.S. costs.

(a) The fiscal memorandum shall include a schedule of proposed financing sources to be used by the sponsoring DOD Component to implement the agreement. Financing sources may be current appropriations or funds, provision for inclusion in the Future Years Defense Program (FYDP), or a statement of an intent to include in future program and/or budget requests or FYDP's. This information may be in either narrative or schedule form. A schedule form is preferred and is illustrated in table 35-10. If current appropriations or funds will be used as the financing source, identify the specific appropriation(s) or fund(s), the amount(s) available therein, and the amount to be used from each. If the source of financing in current appropriations is in two accounts, support the applicable sources of financing showing the specific financing appropriation account symbols.

(b) If the proposed international agreement is, in fact, a firm order for goods or services, include a formal certification of fund availability. Commit applicable funds according to chapter 8 of this regulation.

(2) Provisions for the disposition of funds collected. The fiscal memorandum describes the planned disposition of any funds collected from the foreign country or international organization. There are four possible alternatives for disposition of amounts collected. They are:

(a) Reimbursement to financing DOD appropriations or funds. The fiscal memorandum will identify the financing DOD appropriation accounts to be reimbursed. This identification need not specify the fiscal year of the appropriations. Use normal reimbursable accounting procedures.

(b) Deposit in the U.S. Treasury as miscellaneous receipts. Without statutory authority to reimburse DOD appropriations or funds, or to make other disposition, deposit collections into the U.S. Treasury as miscellaneous receipts. Specify the miscellaneous receipt account to be credited with such collections. At this time reimbursements to DOD appropriations are not authorized for projects conducted under Section 27 of the Arms Export Control Act. Use DOD accounting systems to accumulate costs incurred on behalf of the other participant, bill such amounts, and establish an accounts receivable identified to the applicable miscellaneous receipts account.

(c) Deposit in a U.S. Treasury deposit account. If a U.S. Treasury deposit account has been established for the agreement, the fiscal memorandum shall identify the appropriate U.S. Treasury account symbol.

(d) Deposit in a commercial bank account.

1. If execution of a proposed agreement contemplates use of a commercial bank account for a foreign country's funds, include such a provision in the fiscal memorandum, describing how the bank

account will operate. This should be an account with a commercial bank, designated as a U.S. Treasury-designated depository, into which participating nations or international organizations deposit monies and from which payments are made under with direction from an authorized official. If it cannot be determined that it is a Treasury designated depository, contact the International Funds Branch, Department of Treasury, 401 14th Street, S.W., Washington, D.C. 20027.

2. For contracts administered by the Department of Defense, two funding accounts must be cited: the DOD appropriation account for the U.S. share and the commercial bank account for the share of the other participant(s). The fund citation on the contract shall indicate the commercial bank account rather than the normal accounting classification code. In this case, only the Department of Defense can draw down on the commercial bank account.

(3) Availability of financing sources. There are three general prohibitions on the use of appropriated funds for international agreements. In addition, the legal memorandum (see paragraph c(6), above) may identify other prohibitions. It is implicit in the identification of the financing sources set forth in paragraph d(1), above, that funds are available. It is desirable to include in the fiscal memorandum a certification that all legal and policy prohibitions on the use of funds have been complied with. General prohibitions are--

(a) No funds designated by the U.S. Congress for NATO cooperative research and development may be used to procure equipment or services from any foreign government, foreign research organization, or other foreign entity (including NATO participants) to the agreement.

(b) No funds designated by the U.S. Congress for cooperative research and development with a major non-NATO ally may be used to procure equipment or services from any foreign government, foreign research organization, or other foreign entity including participants to the agreement.

(c) U.S. Government military assistance funds (that is, Military Assistance Program (MAP), FMS loans, or FMS credits) are not available to finance a foreign participant's share of the cost of a cooperative project authorized by Section 27 of the Arms Export Control Act or a cooperative development project with a major non-NATO ally if the U.S. share is financed with funds specifically appropriated for such cooperative development.

(4) Foreign currency, services and materials provided. A contribution to an international agreement may be in the form of currency, materiel, or services. Make a price analysis to ensure the value of services and materials is fair and reasonable if a foreign country or international organization is to provide services or materiel as part of its equitable

share of the agreement. A fiscal memorandum shall summarize the results of such an analysis. Base price analysis on prior cost experience for the item or service to be provided or comparison with DOD cost for the item or similar services. Consider all applicable circumstances in the price analysis. Foreign contributions in the form of foreign currency or a contract awarded in a foreign country, will be valued at the exchange rate current at the time the agreement is prepared. There will be no later modification of the valuation because of changes in the currency exchange rate. Exceptions to this general rule require advance consultation with the Treasury Department working through the Office of the DOD Comptroller. The fiscal memorandum shall display the value of the currency in U.S. Dollars.

(5) Valuation of DOD services and materiel. The value of materiel or services contributed by the Department of Defense is to be determined and considered for the evaluation of equitableness of the project. Guidance on equitableness determinations is found in paragraph e(4), below. International agreements formalizing working relationships between the Department of Defense and foreign countries or international organizations do not require cost identification if the cost incurred in implementation is necessary to accomplish DOD missions. When cost identification is required, such as for cooperative projects entered into under Section 27 of the AECA, a fiscal memorandum shall state the method used in the value of the DOD contribution to the agreement. Pricing alternatives are:

(a) Full costs. It is important not to confuse the act of accumulating full costs with the necessity to bill cost. Use Chapter 37 for guidance on the specific cost elements and identification methods for pricing sales to private parties. These same methods shall be followed in identification of the costs incurred to implement an international agreement when such cost identification is required.

(b) Other than full costs. A legal memorandum should guide the use of other than full cost (see para d(3), above). The identification of less than full cost for an agreement that requires the identification of less than full cost is normally authorized only when a reciprocal pricing agreement has been entered into by the Department of Defense and the other party (parties) to the agreement. The agreement should demonstrate that cost to be excluded mutually have not been considered by the other party in a determination of equitableness.

(c) Cost recoupment waivers. If less than full cost is being identified on the basis of a cost waiver, the date of the waiver and its approving authority must be identified. Copies of such waivers shall be made available on request.

e. Proposed agreement. An agreement must

contain language that implements the requirements established by U.S. law or regulation. This section discusses the financial policies that must be followed and provides appropriate cross references to other parts of this AR that provide more specific guidance.

(1) Fund availability qualification.

(a) As a general rule, there is no intent to create a financial obligation of the Department of Defense on signature of an agreement. The major exception to this rule occurs when an agreement is entered into instead of a contract awarded under the provisions of the Federal Acquisition Regulation. However, if the agreement does not contain an appropriate qualification statement (see para e(1)(b), below), it is considered an "obligating document." In this event, the dollar value of the DOD contribution shall be recorded immediately as an obligation of currently available appropriation or fund accounts. If the recording of such an obligation results in exceeding the fund availability in an appropriation or fund account or in an administrative subdivision thereof, an apparent violation of the Anti-deficiency Act (31 USC 1341 or 1517(a)), shall have occurred. Guidance on the investigation and reporting of such violations is in chapter 7 of the regulation. Normally, the signatory of a contract or agreement is named as the individual responsible for such a violation. The major exception would be when finance and accounting officials improperly have certified the availability of funds.

(b) Examples of typical fund availability qualification clauses inserted in an international agreement follow:

1. "All undertakings of the U.S. Government under this MOU and any annexes, appendices, amendments, or modifications thereto, are expressly subject to the availability of U.S. funds for such purpose."

2. "The obligations of each participant under this MOU are subject to the availability of funds for those purposes."

(2) Reconciliation of agreement dollar value to financing sources. An international agreement must set forth the dollar value of the agreement and portions of the dollar value that must be borne by each participant. This cost sharing may be in the form of monies, services, or materiel. A preliminary requirement is to ensure that any obligations that the Department of Defense may be required to incur in implementation of the agreement have been identified in the fiscal memorandum. See paragraph d(1), above. For example, if the total dollar value of an agreement was \$1 million and the DOD share is \$500 thousand, the source of financing schedule illustrated in table 35-10 should show the proposed financing sources for the \$500 thousand.

(3) Adherence to prescribed pricing rules. If an international agreement provides for DOD services or

materiel to be rendered, there must be assurance that proper pricing procedures have been followed. Paragraph d(5) above, discusses the pricing procedures that apply to the various categories of international agreements. In addition, paragraph c(3) above, discusses special requirements that may apply to certain agreements. The text of an agreement must be reviewed carefully to ensure compliance with these subsections. An area of special pricing attention is charges for existing DOD technical data and computer software, or such data developed outside the agreement. When the Department of Defense provides pre-existing technical data and computer software or such data developed outside the scope of an agreement, it is called background information. Background data may be provided for furthering the purpose of an international agreement as long as it is used solely with the purpose of the agreement. However, an agreement must specify that if the background information is used for any other purpose, approval of the originating participant must be obtained. The following specifics apply:

(a) If the data is to be used for cooperative production purposes, the Department of Defense must receive appropriate financial credit as part of the DOD share of project cost, unless a cost recoupment waiver has been approved. Any provision for waiver should be identified in the fiscal memorandum as discussed in paragraph d(5)(c) above, of this chapter.

(b) If the data is to be used for development and production purposes, a technology transfer fee may be applicable for the development phase. This fee may be offset by the nonrecurring cost recoupment charge when production occurs.

(c) All background information exchanged shall be used only for the purposes of the agreement. It is not to be transferred to any third party without the approval of the originating participant.

(4) Determination of program equitableness. There are international agreements, such as those authorized under Section 27 of the Arms Export Control Act, which require a determination that the program addressed by the agreement is equitable. Paragraph c(3) above, identifies the categories of agreements that require a determination of program equitableness. There is only one determination of program equitableness. This determination requires the preparation of documentation, explaining why the program is equitable to the United States, stating the benefits DOD will issue through implementation of the agreement. The documentation may take various forms. It must be sufficiently clear to demonstrate to the DOD official having authority to approve negotiation and conclusion of the agreement, that the program addressed by the agreement is equitable. Demonstration of a favorable expected U.S. Funding

Share is usually sufficient to determine that the program is equitable.

(a) Calculation of expected U.S. funding share. In support of the determination of program equitableness, an expected U.S. funding share should be calculated using one of the methods below:

1. Method of estimated unit production. This is the preferred method of calculating the expected U.S. funding share for the production phase. It is used when specific unit production quantities are known or can be estimated. Under the method of estimated unit production, the expected U.S. funding share is equal to the DOD share of program production. An example of this method is provided in table 35-11.

2. Method of number of participants. This is the preferred method of calculating the expected U.S. funding share when the production quantities are unknown. It may also be appropriate for feasibility studies, research and development efforts, and test and evaluation efforts. Under the method of number of participants, the expected U.S. funding share is determined by dividing the total program cost by the number of participating nations. An example of this method is provided in table 35-12.

(b) Other methods of calculation. There may be situations for which neither of the above methods apply, but for which a straightforward calculation of the expected U.S. funding share is appropriate. For example, the agreement may call for participating nations to have different privileges or data rights. In such cases, other suitable methods of calculation may be used. If calculation of the expected U.S. funding share is not possible or is inappropriate, then an explanation should be included in the narrative determination of program equitableness.

(5) Sales and transfers of technical data developed under an agreement. An agreement should provide that if technical data developed under the agreement is sold or transferred to third parties, a charge must be made to recoup a pro rata share of each participant's investment. The agreement must also provide that background information and data developed outside the program not be retransferred without the prior approval of the owner of the information or data, and contain provisions for any applicable charges. For third party sales and transfers, or the addition of new participants, the recoupment charge for the information or data developed under the program must be shared on the basis of the participants' financial contribution to the development of the item or technology. The participants will mutually determine the amount of charges and the procedures for assessing and distributing before sale to a third party. The determination must be consistent with the laws and policies of all participants. The agreement will provide that any participant may reduce or waive the

assessment of its share of the levy. Furthermore, the agreement should provide for rights of use for the national security purposes of a participant without payment to the other participant(s).

(6) Taxes, duties, and similar charges. Agreements may provide that existing laws and regulations permitting, the participants shall use their best efforts to ensure that identifiable taxes, customs duties, and similar charges on the program components and services are not levied in connection with the project. If an agreement obligates the U.S. Government to bear the cost of any U.S. taxes, duties, or similar charges levied in connection with the program, the legal memorandum must identify the legal authority for such U.S. obligation.

(7) Advance of DOD funds.

(a) An advance constitutes a disbursement of DOD funds before an authorized DOD official has certified that materials have been delivered or ordered services performed. An agreement shall not provide for DOD advance payments, unless the conditions for such advances, as set forth in chapter 14 of this regulation are met. Advances to foreign countries are authorized when required to comply with the laws and ministerial regulations of the foreign country and is further required by the agreement.

(b) When possible, advances shall be made for no more than the amount necessary to fulfill the DOD share of project expenses for 1 month. Advances and prepayments shall not exceed the amount necessary to fulfill the DOD share of project expenses for a current fiscal quarter. If monies are paid in advance and deposited into commercial banks, provision must be made to ensure that the agreement requires:

1. Payment of interest at competitive rates, and
2. Timely identification of interest earned by each party, and
3. Interest disposition according to the participants' instructions.

(c) The DOD share of funding required to support an international project shall be obtained in full by appropriation, and no part of such funding shall be derived from interest earnings on U.S. contributions. The U.S. Government share of interest earned on U.S. advance payments must be returned to the U.S. Treasury Miscellaneous Receipts Account 3210 "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified." The interest shall not be used to reduce a future call for funds, nor used for any project cost that would result in funding derived outside the appropriation process.

(d) Advances of DOD funds in excess of 90 days or \$5 million require consultation with the Department of Treasury. Contact with the Department of Treasury shall be through the Office of the DOD Comptroller.

(8) Billing requirements. When payments are to be made, the agreement or later financial arrangements

must include the following information:

(a) Billing cycle. Bills for incurred costs are to be rendered on a 30-day cycle. This is a U.S. Treasury requirement and must be adhered to by the Department of Defense. However, in the negotiation process and at the initiation of other participants, agreement may be reached on up to a 90-day billing cycle.

(b) Collecting office. The agreement or later financial arrangements shall provide the name and address of the organization to which payments shall be made. Include a telephone number and a position title to which questions may be addressed.

(c) Paying office or offices. The agreement or later financial arrangements shall provide the name and address of the organization that is responsible for making payments under the agreement. Include a telephone and a number and a position title to which questions may be addressed.

(d) Payment terms. The payment due date shall not be more than 30 days from the date of the invoice, unless otherwise specified in the agreement.

(e) Documentation in support of billings. The agreement or later financial arrangements must identify the form of the bill and the specific supporting details.

(f) Currency of payment. Normally payment shall be in the currency of the supplying nation or the lead country if joint financing is provided for in the agreement. The invoice shall identify the amount paid in foreign currency at the current exchange rate and the equivalent conversion rate in U.S. Dollars.

Table 35-1. Table of daily supplemental living allowances for IMET-International Military Students

	Officer (and Civilian Equivalents)	Enlisted ¹ (and Civilian Equivalents)
In Travel Status, Including Unscheduled Delays ²	Various	Various
In Training Status:		
Dependents Authorized ^{3,4,10,12}	\$40	N/A
Neither Quarters Nor Mess Available	40	\$40
Orientation Tour Participants ⁵	27	N/A
Mess Available, Quarters Not ⁶	27	22
Quarters Available, Mess Not ⁶	24	20
Both Quarters and Mess Available ^{6,7,11,13}	17	9
Both Quarters and Mess Available, Officers Charged for Mess (Aboard Ship)	12	N/A
Both Quarters and Mess Available, Free of Charge (Aboard Ship)	9	9
In Military Hospital ⁸	9	9
On Leave ⁹	Various	

Notes:

¹ Not applicable to enlisted international military students (IMS) attending training at the Small Craft Instruction and Technical Training School (SCIATTS) or the Inter-American Air Forces Academy (IAAFA). The daily living allowance rate authorized for these enlisted IMS is \$3.50 per day.

² When IMET pays travel and living allowance, travel allowance rate is authorized to include the day of departure from home country to the day of arrival at, and day of departure from, each training installation, and the day of arrival at home country. Rates on travel status, including unscheduled delays, are based on rates equal to those in the JTR for US personnel.

³ An additional \$5 per day is authorized for accompanied IMS attending senior level professional military education courses as follows: Army Command and General Staff College, Army War College, and National Defense University; Air Force Command and Staff College and Air War College; Naval Staff College and Naval Command College; USMC Command and Staff, Armed Forces Staff College; and USARSA Command and Staff College.

⁴ This rate is authorized only for accompanied IMS attending the following courses designated by the MILDEPs: Army Command and General Staff College, Army War College, and National Defense University; Air Force Squadron Officer School, Air Force Command and Staff College, Air War College, and Air Force Institute of Technology; Naval Staff College, Naval Command College, and Naval Postgraduate School; USMC Command and Staff College, USMC Amphibious Warfare School, Armed Forces Staff College; and USARSA Command and Staff College. This rate is also authorized for prerequisite courses, follow-on courses, and authorized leave periods. This rate is applicable regardless of availability of quarters and is payable whether IMS lives on or off post.

⁵ Meal Allowance Only. Cost of quarters to be paid from programmed funds by Class A agent/cashier escort officer.

⁶ In overseas areas, including Hawaii where USG quarters and mess are not available, the rates authorized are equal to those authorized for US personnel in the JTR. "Quarters Available" means that USG quarters were either furnished or made available. "Mess Available" means three meals per day were available in a USG mess, whether or not actually consumed. US Government mess excludes open mess and is not considered available to officer IMS except during maneuvers, field exercises, training in the field or when an officer's field ration mess is specifically available (for example, officers field ration mess is available at Lackland AFB and Maxwell AFB, both with a heavy student load). All IMS not authorized a USG living allowance will pay for their meals. The IMS will pay for meals taken in other food service facilities.

⁷ Enlisted students from countries that participate in partial cost-sharing of living allowances who are not entitled to meal cards may receive living allowance in an amount greater than \$9. A higher rate is authorized as long as the programmed rate is less than the \$9 plus the daily cost of mess hall meals. When the programmed rate reaches or exceeds the \$9 plus the cost of meals, issue students meal cards and pay \$9 per day.

⁸ In those cases where an officer IMS is authorized an increased living allowance for accompanying dependents and is subsequently hospitalized, an increased living allowance (\$40) shall apply during period of hospitalization rather than the reduced rate specified herein.

⁹ Living allowance for leave periods following termination of training is not authorized. Leave with living allowances may be granted during periods of class breaks, authorized holidays, between consecutive courses and delays at a port while awaiting transportation at the rate that is appropriate to the training status.

Table 35-1. Table of daily supplemental living allowances for IMET-International Military Students (Continued)

¹⁰ This rate is authorized for guest instructors at CONUS-USARSA.

¹¹ The rate of IMET living allowance for guest instructors at PACAMS (SCIATTS and IAAFA) will be the minimum necessary as determined by the appropriate MILDEP agency but not to exceed the rates authorized for students.

¹² Foreign enlisted students are not authorized accompanied dependents except for students attending the US Army Sergeant's Major Academy (SMA). The authorized living allowance for accompanied IMS at the SMA is \$36 per day.

¹³ In addition to the \$9 the enlisted IMS will receive directly, the MILDEPs will program additional funds to include reimbursement for meals and billeting fees. The programming figure will vary depending on type of government quarters available.

Table 35-2. Military Departments Execution Agency (EXA) identifier codes

Military Department	First position	Second position	Third position
Army EXA Codes ¹			
Department of the Army	B		
U.S. Army Materiel Command:		A	
Army Logistics Management Center, Fort Lee, VA			A
Army Management Engineering College Activity, Rock Island, IL			B
Army Defense Ammunition School, Savanna, IL			C
Joint Military Package Training Center, Aberdeen Proving Ground, MD			D
Army Tank-Automotive Command, Warren, MI			E
Army Depot Systems Command, Chambersburg, PA			G
Letterkenny Army Depot, Chambersburg, PA			H
Lone Star Ammunition Plant, Texarkana, TX			K
Army Test and Evaluation Command, Aberdeen Proving Ground, MD			L
Defense Distribution Region-East, New Cumberland, PA			M
Troop Support Command; Aviation Systems Command, St. Louis, MO			N
Army Mobility Equipment Research and Development Command, Fort Belvoir, VA			P
Pueblo Army Depot, Pueblo, CO			Q
Army Natick Research and Development Laboratories, Natick, MA			R
Army Electronics Research and Development Command, Adelphi, MD			S
Army Communications Electronics Command, Fort Monmouth, NJ			T
Red River Army Depot, Texarkana, TX			U
Army Aviation Research and Development Command, St. Louis, MO			V
Tobyhanna Army Depot, Tobyhanna, PA			W
Tooele Army Depot, Tooele, UT			X
Yuma Proving Ground, Yuma AZ			Y
U.S. Army Security Assistance Command, Alexandria, VA			2
Anniston Army Depot, Anniston, AL			3
Dugway Proving Ground, Dugway, UT			4
Corpus Christi Army Depot, Corpus Christi, TX			6
Army Armament Research and Development Command, Dover, NJ			7
Army Armament Munitions and Chemical Command, Rock Island, IL			8
Army Missile Command, Redstone Arsenal, AL			9
(Unidentified AMC location)			0
U.S. Army Training and Doctrine Command:		C	
Army Aviation School, Fort Rucker, AL			A
Army Training Support Center (Correspondence Courses), Fort Eustis, VA			B
Army War College, Carlisle, PA			C
Defense Language Institute, Monterey, CA			D
Army Engineer School, Fort Belvoir, VA			E
Army Field Artillery School, Fort Sill, OK			F
Army Infantry School, Fort Benning, GA			G
Army Ordinance School, Aberdeen Proving Ground, MD			H
Defense Information School, Fort Benjamin Harrison, IN			I

Table 35-2. Military Departments Execution Agency (EXA) identifier codes (Continued)

Military Department	First position	Second position	Third position
Army Quartermaster School, Fort Lee, VA			J
Army Chemical School, Fort McClellan, AL			K
Army Soldier Support Center, Fort Benjamin Harrison, IN			L
Army Chaplain School, Fort Monmouth, NJ			M
Army Military Police School, Fort McClellan, AL			N
Army Signal School, Fort Gordon, GA			P
Judge Advocate General School, Charlottesville, VA			Q
Army Air Defense School, Fort Bliss, TX			R
Army Transportation School, Fort Eustis, VA			S
Army Command and General Staff College, Fort Leavenworth, KS			T
Army Intelligence School, Fort Huachuca, AZ			U
Army Institute for Military Assistance, Fort Bragg, NC			W
Army Missile and Munitions School, Redstone Arsenal, AL			X
Army Armor School, Fort Knox, KY			Y
Fort Dix, NJ			1
Fort Leonard Wood, MO			2
Fort Jackson, SC			3
TRADOC Security Assistance Training Field Activity, Fort Monroe, VA			7
TRADOC Combined Arms Test Activity, Fort Hood, TX			8
HQ, TRADOC, Fort Monroe, VA			9
(Unidentified TRADOC location)			0
Office, Chief of Engineers		E	
(Unidentified USACOE location)			0
Defense Finance and Accounting Service-Indianapolis Center:		F	
U.S. Agency for International Development Training, all areas			A
Defense Intelligence Agency, Wash DC			B
U.S. Coast Guard Training			C
Defense Logistics Agency, Wash DC			D
Defense Systems Management College, Fort Belvoir, VA			E
National Defense College (Correspondence Course), Fort McNair, Washington, DC			F
U.S. Marine Corps Training			M
U.S. Navy Training			N
Defense Mapping Agency, Wash DC			S
Defense Mapping School, Ft. Belvoir, VA			T
U.S. Air Force Training			X
Training US MAP Personnel (N5B)			O
U.S. Army Health Services Command:	G		
William Beaumont Army Med Center, El Paso, TX			B
Fitzsimons Army Medical Center, Aurora, CO			F
Army Environmental Hygiene Agency, Aberdeen Proving Ground, MD			H
Letterman Army Med Center, San Francisco, CA			L
Madigan Army Med Center, Tacoma WA			M

Table 35-2. Military Departments Execution Agency (EXA) identifier codes (Continued)

Military Department	First position	Second position	Third position
Academy of Health Sciences, Fort Sam Houston, TX			S
Tripler Army Med Center, Honolulu, HI			T
Walter Reed Army Med Center, Washington, DC			W
Medical Cost-CONUS 9GC N7E)			X
Army Institute of Dental Research, Washington, DC			Z
(Unidentified HSC location)			O
Office of The Surgeon General:		G	
Armed Forces Institute of Pathology, Washington, DC			A
Institute of Dental Research, Washington, DC			Z
U.S. Army Pacific Command (USARPAC):		H	
All Training in Pacific Command Schools or Units			H
Third Country Training in Pacific Command Areas			I
6th Infantry Division, Fort Richardson, AK			P
(Unidentified Pacific Command location)			O
U.S. Army Forces Command:		I	
1st Infantry Division (Mechanized), Fort Riley, KS			A
1st Cavalry Division, Fort Hood, TX			B
2d Armored Division, Fort Hood, TX			C
3d Armored Cavalry Regiment, Fort Bliss, TX			D
4th Infantry Division (Mechanized), Fort Carson, CO			E
5th Infantry Division (Mechanized), Fort Polk, LA			F
7th Infantry Division, Fort Ord, CA			G
9th Infantry Division, Fort Lewis, WA			H
24th Infantry Division, Fort Stewart, GA			I
82d Airborne Division, Fort Bragg, NC			J
101st Airborne Division, Fort Campbell, KY			K
197th Infantry Brigade, Fort Benning, GA			L
194th Armored Brigade, Fort Knox, KY			M
3d Corps Artillery, Fort Sill, OK			Q
HQ, FORSCOM, Fort McPherson, GA			9
(Unidentified FORSCOM location)			0
U.S. Army European Command		M	
All Training in US Army, Europe Schools or Units			M
(Unidentified European Command)			O
U.S. Army Southern Command:		S	
193rd Infantry Brigade, Fort Clayton, Panama			N
School of the Americas			A
Inter-American Geodetic Survey School			B
Other Training in Southern Command			S
Medical Cost-Overseas (GS N7F)			X
Unidentified			Z
Air Force EXA Codes ²			
Department of the Air Force		D	

Table 35-2. Military Departments Execution Agency (EXA) identifier codes (Continued)

Military Department	First position	Second position	Third position
USAF Europe:		D	
Variable			O
USAF England			E
USAF Germany			G
Logistics:		F	
USAF Logistics Command			O
Foreign Military Training Affairs Group:		J	
USAF CONUS/Variable			O
USAF Academy			B
Aerospace Defense Command			C
USAF Systems Command			H
Air Training Command			J
Air University/USAF Institute of Tech			K
Military Air Command			Q
Strategic Air Command			S
Tactical Air Command			T
USAF Security Service			U
USAF Communications Service			Y
USAF Southern:		L	
Variable			O
IAAFA School			A
Pacific Air Force:		R	
Variable			O
Hawaii			H
Clark Air Force Base			C
Navy EXA Codes ³			
Department of the Navy			
Naval Medical Command:		PBM	
U.S. Coast Guard		PGC	
Chief of Naval Operations		PCN	
Commander-in-Chief, US Atlantic Fleet		PCL	
Commander-in-Chief, US Pacific Fleet		PCP	
Chief of Naval Education and Training		PCT	
Commandant, US Marine Corps		PMC	
Chief of Naval Materiel		PNM	
Chief of Naval Reserve		PNR	
Department of the Army		PBO	
Department of the Air Force		PDO	
Miscellaneous		POO	
Commander-in-Chief, US Southern Command		PSO	

Notes:

¹ The EXA code used by the Army is a three-digit alphanumeric wherein the first alpha represents the Army (B), the second alpha the funding agency, and the third alpha or numeric the training agency.

Table 35-2. Military Departments Execution Agency (EXA) identifier codes (Continued)

² The EXA code used by the United States Air Force (USAF) is a three-digit alphanumeric wherein the first alpha represents the USAF (D), the second alpha the implementing command, and the third alpha or numeric the major command conducting the training.

³ The EXA code used by the Navy is also a three-digit alphanumeric wherein the first alpha represents the Navy (P) and the second and third alphanumeric represent the major claimant or implementing command for the training.

Table 35-3. Program Additions "4" Record

Record column	Data element	Instruction
1	Record code	Must be filled. Enter "4."
2-5	Record control number	Leave blank or enter RCN.
6-13	Blank	
14-20	Item ID number	Must be filled from the MASL.
21	Generic code	Must be filled. Enter "N."
22	Blank	
23-24	Reason for change code	Must be filled. Enter the appropriate code as listed in DOD 5105.38-M, appendix D.
25	Student code	Enter the appropriate code as in DOD 5105.38-M, appendix D.
26-29	Quantity	Must be filled (leave blank for dollar value lines). Enter the number of students, or in the case of teams, the number of personnel on the team. Right justify unit position in column 29 and enter zeros in unused columns.
30	Program originator	Must be filled. Enter the appropriate program originator code as in DOD 5105.38-M, appendix D.
31-32	Country activity code	Must be filled. Enter the appropriate code as listed in DOD 5105.38-M, appendix D.
33-34	Duration	Enter duration from the MASL. When MASL duration is variable, enter number of weeks for students, number of work weeks for teams, and number of work months for Field Training Service (FTS). Right justify unit position in column 34 and enter zeros in unused columns.
35	Type assistance code	Must be filled. Enter the appropriate code as listed in DOD 5105.38-M, appendix D.
36-43	Unit price	Must be filled. (Leave blank for dollar value lines.) Enter MASL course cost. When not indicated in the MASL, enter MILDEP determined unit price. Right justify and enter zeros in unused columns.
44	Blank	
45-46	Program year	Must be filled. Enter last two digits of the appropriate fiscal year.
47-50	Funding date case	Enter the report of start date of training (whichever is earlier) by month/day (MM/DD) for all unfunded training lines with confirmed quotas. The date entered will be for the first course in a series of training courses for the same student. This data element will be eliminated by DSAA when funding occurs. For FMS training only, enter the FMS case designator (Last three digits of the FMS case number) in columns 48-50.
51-56	Travel and living allowance	Enter TLA for each student or team member line when programming training with the Army. Air Force and Navy do not require the SAO to provide the TLA cost unless the data varies from the SAMM computation procedures or data as known by the MILDEPs. Right justify unit positions in column 56.
57	Status code	Leave blank.
58	DSAA waiver code	Must be filled. Enter "A" for Training lines that do not require DSAA waiver or enter appropriate waiver code. Enter the appropriate code as listed in DOD 5105.38-M, appendix D.
59	Blank	
60	TLA command	Entered by Army to indicate command receiving funding for TLA cost. (optional).
61-65	Worksheet	Must be filled. Enter WCN as assigned by SAO. In the unit position (column 65), enter sequential of followup courses in alphabetical sequence

Table 35-3. Program Additions "4" Record (Continued)

Record column	Data element	Instruction
		in the order in which training is to be conducted. For example, 1234L (language training). 1234A, 1234B. Use 1234Y, 1234Z for continuing sequential training funded in the new FY but originating in the previous FY, referred to as carryover training. Use 1234S for late cancellation, 1234T for attrition, and 1234V for "no show." Where no sequential training is planned, leave the unit position blank.
66-68	Execution code	Must be filled. Enter EXA agency identifier from the MASL. Where cross-service training is involved, enter the EXA identifier of the MILDEP that will conduct the majority of the training. See table 32-5 for codes.
69	Change originator code	Must be filled. Enter the appropriate code as listed in DOD 5105.38-M, appendix D.
70	Availability report quarter	Must be filled. Enter 1, 2, 3, 4, or 5 (IMET only) to indicate the quarter in which the student is available. Codes should be adjusted if training schedule changes. All training lines within a WCN series will reflect the quarter availability of the first line in the sequence. Medical cost lines will have some quarter availability as earliest time.
71	Fiscal code	Leave blank.
72	Rqmts priority code	Must be filled. Enter A, B, C, D, or E as appropriate.
73-80	Total cost	Must be filled. Enter total cost by multiplying the sum of entries in unit price (columns 36-43) and TLA (columns 51-56) times quantity (columns 26-29). Right justify unit position in column 80.

Table 35-4. Program Changes "Q" Record

Record column	Data element	Instruction
1	Record code	Must be filled. Enter "Q."
2-5	Record control number	Must be filled. See DSAA detail listing.
6-22	Blank	
23-24	Reason for change code	Must be filled. Enter the appropriate code as listed in DOD 5105.38-M, appendix D.
25-30	Blank	
31-32	Country/activity code	Must be filled. Enter the appropriate code as listed in DOD 5105.38-M, appendix D.
33-44	Blank	
45-46	Program year	Must be filled. Enter last two digits of the appropriate fiscal year.
47-50	Funding date (Julian Date)	Must be filled if training moves to a different quarter. If training has already been funded a new funding date must be entered.
51-60	Blank	
61-65	Worksheet control number (WCN)	Enter WCN as it appears in the DSAA detail listing. If the WCN itself is being changed, enter the revised WCN.
66-68	Blank	
69	Change originator code	Must be filled. Enter the appropriate code as listed in DOD 5105.38-M, appendix D.
70	Availability report quarter	Must be filled. Enter the appropriate quarter.
71-72	Blank	
73-80	Total cost	See para. 35-8u.

Note: Program changes must include all revised data elements that have changed in addition to data elements listed above

Table 35-5. Program Deletions "R" Record

Record column	Data element	Instruction
1	Record code	Must be filled. Enter "R."
2-5	Record control number	Must be filled. See DSAA detail listing.
6-22	Blank	
23-24	Reason for change code	Must be filled. Enter the appropriate code as listed in DOD 5105.38-M, Appendix D.
25-44	Blank	
45-46	Program year	Must be filled. Enter last two digits of the appropriate fiscal year.
47-60	Blank	
61-65	Worksheet control number	Must be filled. Enter WCN as it appears in the DSAA detail listing.
66-68	Blank	
69	Change originator code	Must be filled. Enter the appropriate code as listed in DOD 5105.38-M, Appendix D.
70-80	Blank	

Table 35-6. DOD-Security Assistance Component Codes

Code	Component
1	Army.
2	Air Force.
4	Navy.
9	DSAA.
C	Defense Communications Agency.
M	Selected Electronics Procurement Office.
R	Defense Logistic Agency-Defense Logistics Services Center.
U	Defense Mapping Agency.
V	Defense Contract Audit Agency.
W	Defense Advanced Research Projects Agency.
Z	Defense Nuclear Agency.

Table 35-7. Administrative Support Agencies

Headquarters or agency	Administrative agent
NATO	
NATO military committee agencies:	
International military staff	Army
Allied Long Lines Agency	Army
Allied Communications Security Agency	Army
Allied Radio Frequency Agency	Army
Allied Naval Communications Agency	Navy
Allied Tactical Communications Agency	Army
European Distribution Accounting Agency	Navy
NATO Defense College	Navy
Advisory Group for Aerospace Research and Development	Air Force
Military Agency for Standardization	Army
Canada-U.S. Regional Planning Group	Army
NATO Production/Logistics Agencies and Committees:	
Central European Operating Agency	Army
NATO Maintenance and Supply Agency	Army
NATO Air Defense Group Environment Management Office	Army
NATO Integrated Communications System Management Agency	Army
NATO Supply Center	Army
NATO Hawk Production and Logistics Organization	Army
NATO Bull Pup Production Organization	Army
NATO F-16 Aircraft Production Consortium	Air Force
NATO Maritime Patrol Aircraft Steering Committee	Army
NATO Jaguar Steering Committee	Army
Sea Sparrow Point Defense Missile System Steering Committee	Army
Azores Fixed Acoustic Range Steering Committee	Army
FH-70 155MM Towed Howitzer Steering Committee	Army
SP-70 Self-propelled Howitzer Steering Committee	Army
Acoustic Communications with Submarines Committee	Army
NATO Puma, Gazelle, and Lynx Helicopters Committee	Army
Combat Vehicle Reconnaissance (Track) Committee	Army
NIKE RN 202 Gun and Armament Committee	Army
NATO Milan Anti-armor System Committee	Army
NATO Patrol Boat Hydrofoil Committee	Army
EURO-NATO-NIKE Training Center	Army
NATO Airborne Early Warning Program Management Agency	Air Force
Allied Forces Central Europe Multinational Coordination Center	Army
Supreme Headquarters Allied Power Europe	Army
Supreme Headquarters Allied Power Europe, Technical Center	Air Force
Allied Command, Europe	
HQ, Allied Forces Northern Europe	Air Force
Allied Forces South Norway	Air Force
Allied Forces North Norway	Air Force

Table 35-7. Administrative Support Agencies - Continued

Headquarters or agency	Administrative agent
Allied Forces Baltic Approaches	Air Force
Headquarters, Allied Forces Central Europe	Army
North Army Group	Army
Central Army Group	Army
Allied Air Forces Central Europe	Air Force
2nd Allied Tactical Air Force	Air Force
4th Allied Tactical Air Force	Air Force
HQ, Allied Forces Southern Europe	Navy
Allied Land Forces Southern Europe	Army
Allied Land Forces Southeast Europe	Air Force
Allied Air Forces Southern Europe	Navy
5th Allied Tactical Air Force	Air Force
6th Allied Tactical Air Force	Air Force
Allied Naval Forces Southern Europe	Navy
Naval Striking and Support Forces Southern Europe	Navy
ACE Mobile Force (Land)	Army
Supreme Allied Command, Atlantic	Navy
Western Atlantic Area	Navy
Island Commander, Bermuda	Navy
Island Commander, Greenland	Navy
Island Commander, Azores	Navy
Submarine Forces, West Atlantic	Navy
Ocean Subarea	Navy
Canadian, Atlantic Subarea	Navy
Submarine Allied Command, Atlantic	Navy
Eastern Atlantic Area	Navy
Submarine Forces, East Atlantic	Navy
Bay of Biscay Subarea	Navy
Island Commander, Iceland	Navy
Island Commander, Faeroes	Navy
Striking Fleet and Special Task Forces	Navy
Maritime Air-East Atlantic	Navy
Northern Subarea	Navy
Maritime Air-Northern Subarea	Navy
Central Subarea	Navy
Maritime Air-Central Subarea	Navy
Standing Naval Force, Atlantic	Navy
Iberian Atlantic Area-Island Commander, Maderia	Navy
Striking Fleet, Atlantic-Carrier Striking Force	Navy
Carrier Striking Group One	Navy
Carrier Striking Group Two	Navy
Antisubmarine Warfare Research Center	Navy

Table 35-7. Administrative Support Agencies - Continued

Headquarters or agency	Administrative agent
Allied Command, Channel:	
Benelux Subarea	Navy
Maritime Air-Nore Subarea	Navy
Allied Maritime Air Force Channel	Navy
Maritime Air-Plymouth Subarea	Navy
Standing Naval Force Channel	Navy
NATO Missile Firing Installation	Army
Inter-American Defense Board	Army
Joint Mexican-United States Defense Commission	Army
Canada-United States Permanent Joint Board on Defense	Air Force
US-Spanish Combined Military Coordination and Planning Staff	Air Force
Republic of Korea-US Combined Forces Command	
Republic of Korea-United States	Army
Combined Field Army	Army

Table 35-8. Minimum Essential Data Elements for NMSA Transaction (Order/Receipt) Form

a. Support agreement or implementing arrangement, if any.
b. Date of order or request.
c. Document number of order or requisition. Effort should be made to establish a control number similar to a DoD requisition number (for example, a number containing a code for the military service, a code for the requisitioner, the date, and a document serial number).
d. Listing of stock numbers of items, if any (National stock number (NSN) of materiel or abbreviated description of services provided.
e. Quantity and description of material and/or services requested.
f. Quantity provided.
g. Unit of measurement (issue).
h. Unit price.
i. Total provided (as at f), multiplied by unit price (as at h).
j. Currency of billing country.
k. Total order amount expressed in currency of billing country.
l. Name, address (typed or printed) and signature and title of authorized ordering or requisitioning representative (organization to be billed).
m. Payee to be designated on remittance (Name and address of receiving organization).
n. Designation and address of office to which remittance is to be sent.
o. Recipient's signature acknowledging services or supplies received on the requisition or order or a separate supplementary document.
p. Signature, name, and title of authorized acceptance official.
q. Receiving organization.
r. Issuing organization.
s. Transaction type.
t. Fund citation (U.S. Treasury Appropriation account) or certification of availability of funds when applicable under parties procedures.
u. Date and place of original transfer and in case of an exchange transaction, a replacement schedule including time and place of replacement transfer.
v. Additional special requirements, if any, such as transportation, packaging, and so forth.
w. Limitation of government liability.

Note:

Additional data elements may be added for internal MACOMs use and to fulfill legal requirements imposed on finance and accounting transactions.

Table 35-9. Suggested Transaction Codes NMSA Transaction (Order/Receipt) Form

Code	Explanation	Type transaction
RAPO	Reimbursable acquisition of POL	Converted from original classification.
RAPC	Reimbursable acquisition of POL	Converted from nonreimbursable.
RASO	Reimbursable acquisition of supplies other than POL	Converted from original classification.
RASC	Reimbursable acquisition of supplies other than POL	Converted from nonreimbursable.
RALO	Reimbursable acquisition of logistics support	Original classification.
RALC	Reimbursable acquisition of logistics support	Converted from nonreimbursable.
RTLO	Reimbursable transfer of logistics support	Original classification.
RTLC	Reimbursable transfer of logistics support	Converted from nonreimbursable.
NALO	Nonreimbursable acquisition of logistics support	Original transaction.
NILR	Nonreimbursable issue of logistics support	Reciprocal transaction.
INTLO	Nonreimbursable transfer of logistics support	Original transaction.
NRLR	Nonreimbursable receipt of logistics support	Reciprocal transaction.

Table 35-10. Schedule of Proposed Financing Sources

Source of Financing	Amount (Dollars in millions)
Current Appropriations	\$100
FYDP	400
Future Program/Budget Submissions	500
Total	\$1,000

Table 35-11. Method of Estimated Unit Production

Calculation of Expected U.S. Funding Share Using the Method of Estimated Unit Production (Dollars in Millions)

Step One: Determine the total program cost to the U.S. and other participants.

U.S. Share	\$150
Other Participants	<u>200</u>
Total Cost	\$350

Step Two: Determine the percentage of the U.S. share of the total costs under the agreement.

U.S. Share	\$150
Total Cost	350=43% share

Step Three: Determine the total number of production units to be produced under the agreement.

U.S. Units	20,000
Other Participants	<u>40,000</u>
Total Production	60,000

Step Four: Determine the percentage of the U.S. share of the total number of units to be produced under the agreement.

U.S. Units	20,000
Total Units	60,000=33% share

Step Five: Compare the results of step two to step four. If the result of step two is equal to or less than that of step four, the U.S. appears to be paying a favorable funding share.**Step Six:** If the result of step two is greater than the result of step four, the U.S. appears to be paying more than its mathematically expected funding share. This situation should be specifically explained in the narrative determination of program equitableness.

Table 35-12. Method of Number of Participants

Calculation of Expected U.S. Funding Share Using the Method of Number of Participants (Dollars in Millions)

Step One: Determine the total program cost to the U.S. and other participants.

U.S. Share	\$150
Other Participants	<u>200</u>
Total Cost	\$350

Step Two: Determine the percentage of the U.S. share of the total costs under the agreement.

U.S. Share	\$150
Total Cost	350=43% share

Step Three: Determine the total number of participants and calculate the U.S. share on a percentage basis.

Total Participants	3
U.S.	1=33 1/3% as a percentage of Participants

Step Four: Compare the results of step two to step three. If the result of step two is equal to or less than the result of step three, the U.S. appears to be paying a favorable expected funding share.**Step Five:** If the result of step two is greater than the result of step three, the U.S. appears to be paying more than its mathematically expected funding share. This situation should be specifically explained in the narrative determination of program equitableness.

FMS Case Closure Guidelines	
Semiannual Review or Case Closure	
1. The Letter of Implementation agrees with the DD Form 1513.	
2. The country case number in PBAS, SA3, and DIFS agree.	
3. The total case value in PBAS, SA3, and DIFS agree.	
4. The net case value in PBAS, SA3, and DIFS agree.	
5. The number and values of amendments or modifications in PBAS, SA3, and DIFS agree.	
6. The payment schedule attached to the DD Form 1513 agrees with DIFS and was updated properly.	
7. The case identifier is the same in PBAS, SA3, and DIFS.	
8. The delivery term code and type of sale is compatible in PBAS, DIFS, and the DD Form 1513.	
9. The Military Assistance Program Address directory (MAPAD) and freight forwarder (in-country) code in SA3 agrees with the DD Form 1513.	
10. The in-country service address in SA3, DIFS, and the DD Form 1513 agree.	
11. The procurement lead time and requisition time, or overhaul time in SA3, DIFS, and the DD Form 1513 agree for blanket open end cases, supply support arrangements, or maintenance support arrangements.	
12. The date of implementation plus the procurement lead time in SA3, DIFS, and the DD Form 1513 agree for defined line training cases.	
Semiannual Review	
1. The billing and payment schedules are updated in PBAS and DIFS.	
2. The payment schedules are updated for revised shipments.	
3. DIFS transactions agree with FMS Billing Statement (DD Form 645).	
4. Progress payments in PBAS and DIFS agree.	
5. Progress payments are not over-liquidated in DIFS.	
6. DIFS expenditures and unliquidated progress payments do not exceed PBAS obligation authority.	
7. Payment schedules are updated based on changes in progress payments.	
8. The payment schedule is valid for case requirements.	
9. Case closure expenditures or program value do not exceed obligation authority.	
10. Line closure certificates are validated.	
11. All progress payments are liquidated.	
12. All reports of discrepancy (ROD) are resolved.	
13. All billings reflect actual costs.	
14. All items shipped have been billed.	

Figure 35-1. FMS case closure and review guidelines

Figure 35-2. Completion instructions for DA Form 5981-R

1. Name of foreign country or international organization entering into the production order with the US Government.
 2. Mailing address of Embassy, consulate or designated representative of country or international organization.
 3. Purchaser's Order number.
 4. US military service assigned identification number.
 5. Name of US representative authorized to accept on behalf of the US Government.
 6. Title of US Government representative.
 7. Signature of US representative authorized to accept for the US Government.
 8. Mailing address of US Government representative.
 9. Date US representative signs the order.
 10. Date order expires if not accepted by the foreign representative.
 11. Sequence number of item or service to be provided.
 12. Description of item or service.
 13. Quantity of items to be provided. For services leave blank.
 14. Unit of issue for item being provided. Leave blank for services.
 15. Estimated Costs.
 - 15a. Unit cost of material being provided. Blank for services.
 - 15b. Extended value for material costs (quantity times unit price) or dollar value of services to be provided.
 16. Availability code (to be supplied from stock, procurement, etc.)
 17. Delivery term code, Standard MILSTRIP delivery code indicating mode shipment and terms of delivery (FOB, COD, etc.)
 18. Total of column 15b.
 19. Estimated costs to pack, crate, handle and transport (PCH&T) material to foreign production partner.
 20. Estimated value of US Government contribution to production of the item(s) to be produced.
 21. Estimated value of other foreign countries contributions to production of the item(s), if a multinational order. Leave blank for bilateral production support orders.
 22. Estimated cost of all material, services, PCH&T and foreign partners contributions. (Sum of blocks 18 through 21.)
 23. Special terms and conditions or reference to the annex, with title, which specifies special terms and conditions.
 24. Amount of deposit required to begin production.
 25. Date deposit must be made or reference to financial annex if a separate payment schedule is attached.
 - 26-30. To be completed by the authorized representative of the foreign country or international organization entering into the order with the US Government.
-

INTERNATIONAL PRODUCTION SUPPORT ORDER For use of this Form, see 37-1; the proponent agency is AOSA(FM)				1. NAME OF PURCHASER <div style="text-align: center; font-weight: bold;">Republic of Weegotcha</div>			
2. ADDRESS OF PURCHASER <div style="text-align: center;">100 No Place Ave. NW Washington, D.C.</div>				3. PURCHASER'S REFER NO. <div style="text-align: center; font-weight: bold;">WPO-91-1001</div>		4. IPSO IDENTIFIER <div style="text-align: center; font-weight: bold;">IPO-91-1001</div>	
THIS OFFER IS PURSUANT TO SECTION 27 OF THE ARMS EXPORT CONTROL ACT 9A(ECA), AS AMENDED. THE U.S. ARMY HEREBY OFFERS TO SELL TO THE ABOVE PURCHASER THE ARTICLES AND SERVICES LISTED BELOW SUBJECT TO THE GENERAL TERMS AND CONDITIONS SET FORTH IN ANNEX A OF THIS DOCUMENT, AND TO SUCH OTHER SPECIAL TERMS, CONDITIONS, OR SPECIAL NOTES WHICH ARE SET FORTH IN BLOCK 23 OR MAY BE PART OF AND ATTACHED TO THIS INTERNATIONAL PRODUCTION SUPPORT ORDER(PSO)							
5. TYPED NAME OF U.S. ARMY REPRESENTATIVE <div style="text-align: center; font-weight: bold;">ULYSES SAMUELS</div>				6. TYPED TITLE OF U.S. ARMY REPRESENTATIVE <div style="text-align: center; font-weight: bold;">Comptroller, U. S. Dept, of Defense</div>			
7. SIGNATURE OF U.S. ARMY REPRESENTATIVE <div style="text-align: center; font-weight: bold;">ULYSSES SAMUELS</div>				10. OFFER EXPIRATION DATE <div style="text-align: center; font-weight: bold;">April 30, 1991</div>			
8. ADDRESS OF U.S. ARMY REPRESENTATIVE <div style="text-align: center;">200 K Street, NE Washington, D.C.</div>				NOTE: THIS OFFER MUST BE ACCEPTED BY THE DATE LISTED IN BLOCK 10 OF THIS DOCUMENT OR SUFFER CANCELLATION. REQUEST PROMPT NOTIFICATION IF THIS OFFER IS REJECTED.			
9. DATE <div style="text-align: center; font-weight: bold;">January 1, 1991</div>							
11 ITEM NO	12 ITEM DESCRIPTION	13 QUANTITY	14 UNIT OF ISSUE	15 ESTIMATED		16 AVAIL & REMARKS	17 DEL CODE
				UNIT COST <i>a</i>	TOTAL COST <i>b</i>		
1	Tank Chassis	1,000	EA	\$10,000	10,000,000		FOB
2	M202 Engine	1,000	EA	2,000	2,000,000		FAS
3	Production Engineering				500,000		
18 ESTIMATED COST				\$12,500,000.00			
19 ESTIMATED PACKING/CRATING & TRANS COSTS				750,000.00			
20 ESTIMATED GOV'T SUPPORT COSTS				6,000,000.00			
21 OTHER ESTIMATED COSTS				15,000,000.00			
22 ESTIMATED TOTAL COSTS				\$34,250,000.00			
23 SPECIAL TERMS AND CONDITIONS <div style="text-align: center; font-weight: bold;">See Annex F, attached</div>				ACCEPTANCE 26 I AM A DULY AUTHORIZED REPRESENTATIVE OF THE GOVERNMENT OF _____ AND UPON BEHALF OF SAID GOVERNMENT I ACCEPT THIS OFFER UNDER THE TERMS AND CONDITIONS CONTAINED HEREIN			
				27 THIS _____ DAY OF _____ 19____			
24 REQUIRED DEPOSIT <div style="text-align: center; font-weight: bold;">\$10,000,000</div>		25 DATE DEPOSIT REQUIRED <div style="text-align: center; font-weight: bold;">June 30, 1991</div>		28 TYPED NAME <div style="text-align: center; font-weight: bold;">Yuh Bin Hadd</div>			
29 TYPED TITLE <div style="text-align: center; font-weight: bold;">Ambassador to the United States of America</div>				30 SIGNATURE			

Figure 35-2. Sample of a Completed DA Form 5981-R (International Production Support Order)

ANNEX A

INTERNATIONAL PRODUCTION SUPPORT ORDER

GENERAL TERMS AND CONDITIONS

A. THE WEAPON SYSTEM PROJECT MANAGER'S OFFICE (WS PMO):

(1) Agrees to furnish services and articles (hereinafter referred to as "items") under terms and conditions consistent with DoD regulations and procedures. When procuring for the European Executive Agency, hereinafter referred to as the Purchaser, the Government of the United States (herein after referred to as USG) shall, in general, employ the contract clauses, the same contract administration, and the same inspection procedures as would be used in procuring for itself, except as otherwise requested by the Purchaser and as agreed to by the WS PMO. Unless the purchaser has requested that a sole source contractor be designated, and the International Production Support Order (IPSO) reflects acceptance of such designation by the DoD, the Purchaser understands that selection of the contractor source to fill this requirement is solely the responsibility of the USG. Further, the Purchaser agrees that the WS PMO is solely responsible for negotiating the terms and conditions of all contracts necessary to fulfill the requirements in the IPSO.

(2) Advises that when the WS PMO procures for itself, its contracts include warranty clauses. The PMO shall, with respect to items being procured, and upon timely notice, attempt to the extent possible to obtain any particular or special contract provisions and warranties desired by the Purchaser. The PMO further agrees to exercise, upon the Purchaser's request, any rights (including those arising under any warranties) the PMO may have under any contract connected with the procurement of any items. Any additional cost resulting from obtaining special contract provisions of warranties, or the exercise of rights under such provisions or warranties, or any other rights that the USG may have under any contract connected with the procurement of items, shall be charged to the Purchaser.

(3) With respect to items being procured for sale to the Purchaser, the USG agrees to exercise warranties on behalf of the Purchaser pursuant to A.2. above to assure, to the extent provided by the warranty, replacement or correction of such items found to be defective.

(4) In addition, the USG warrants the title of all items sold to the Purchaser hereunder. The USG, however, makes no warranties other than those specifically set forth herein. In particular the USG disclaims any liability resulting from patent infringements occasioned by the use or manufacture by or for Purchaser outside the United States of items supplied hereunder.

(5) Agrees to deliver and pass title to the items to the Purchaser at the initial point of shipment unless otherwise specified in this IPSO. This will normally be at the manufacturers' loading facilities. Articles will be packed, crated or otherwise prepared for shipment prior to the time title passes. If "point of delivery" is specified otherwise than the initial point of shipment, the PMO will arrange movement of the items to the authorized delivery point as a reimbursable service but will pass title at the initial point of shipment. The USG disclaims any liability for damage or loss to the items incurred after passage of title.

(6) Advises that unless otherwise specified, USG standard items will be furnished without regard to make or model.

(7) Advises that the price of items to be procured shall be at their total cost to the USG. Unless otherwise specified, the cost estimates of items to be procured, availability determination, payment schedule and delivery projections quoted are estimates based on current available data. The PMO will use its best efforts to advise the Purchaser or its authorized representatives by message or letter:

(a) Of any identifiable cost increase that might result in an increase in the "Estimated Total Costs" of the IPSO in excess of 10 percent;

(b) Of any changes in the payment schedule(s); and

(c) Of any delays that might significantly affect the estimated delivery dates; but its failure to so advise of the above shall not affect the Purchaser's obligation under paragraphs B.1, and B.3. below.

(8) Will, however, use its best efforts to deliver items or render services for the amount and at the times quoted.

(9) Shall refund to the Purchaser any payments received hereunder which prove to be in excess of the final total cost of delivery and performance of this acquisition agreement, and are not required to cover arrearages on other open IPSO's of the Purchaser.

Figure 35-3. Annex A to International Production Support Order (IPSO)

(10) Advises that personnel performing Defense services provided under the IPSO will not perform any duties of a combatant nature, including any duties relating to training, advising, or otherwise providing assistance regarding combat activities, outside the United States in connection with the performance of these Defense services.

B. THE PURCHASER:

(1) Shall pay to the USG the total cost of the items, even if the final total cost exceeds the amounts estimated in the IPSO.

(2) Shall finance each IPSO by forwarding, with the acceptance of each IPSO, a check or wire transfer in the amount specified in the payment schedule in the IPSO to an agreed upon US bank.

(3) Agrees to make such additional payment(s) as may be specified upon notification of cost increase(s) and request(s) for funds to cover such increases.

(4) Agrees, that requests for funds are due and payable in full on presentation, or if a payment date is specified in the request for funds, on the payment date so specified, even if such payment date is not in accord with the estimated payment schedule contained in IPSO. When appropriate, Purchaser will request adjustment of any questioned funding requirement by subsequent submission of a request to the PMO.

(5) Shall furnish shipping instructions for the items with its acceptance of the IPSO.

(6) Shall be responsible for obtaining the appropriate insurance coverage and customs clearances, and except for items exported by the USG, appropriate export licenses.

(7) Shall accept title to the defense articles at the initial point of shipment (see A.5 above). Purchaser shall be responsible for in-transit accounting and settlement of claims against common carriers. Title to defense articles transported by parcel post shall pass to the Purchaser on date of parcel post shipment. Standard Form 364, Report of Discrepancy, shall be used in submitting claims to the USG for overage, shortage, damage, duplicate billing, item deficiency, improper identification or improper documentation and shall be submitted by Purchaser promptly. Claims of \$100.00 or less will not be reported for overages, shortages or damages. Claims received after one year from passage of title or billing, whichever is later, will be disallowed by the USG, unless the USG determines that unusual and compelling circumstances involving latent defects justify consideration of the claim.

(8) May cancel the IPSO with respect to any or all of the items listed at any time prior to the delivery of defense articles or performance of services (including training). The Purchaser shall be responsible for all costs resulting from cancellation under this paragraph.

(9) Shall not transfer to, or possession of, the defense articles, components and associated support material, related training or other defense services (including any plans, specifications or information) furnished under this IPSO to anyone not an officer, employee or agent of the Purchaser (excluding transportation agencies), and shall not use or permit their use for purposes other than those authorized in the Memorandum of Understanding unless the written consent of the USG has first been obtained. To the extent that any items, plans, specifications, or information furnished in connection with this IPSO may be classified by the USG for security purposes, the Purchaser shall maintain a similar classification and employ all measures necessary to preserve such security, equivalent to those employed by the USG, throughout the period during which the USG may maintain such classification. The USG will use its best efforts to notify the Purchaser if the classification is changed. The Purchaser will ensure, by all means available to it, respect for proprietary rights in any defense article and any plans, specifications, or information furnished, whether patented or not.

C. INDEMNIFICATION AND ASSUMPTION OF RISKS:

(1) It is understood by the Purchaser that the USG in procuring and furnishing the items specified in the IPSO does so on a nonprofit basis for the benefit of the Purchaser. The Purchaser therefore undertakes, to indemnify and hold the USG, its agents, officers, and employees harmless from any and all loss or liability (whether in tort or in contract) which might arise in connection with the IPSO because of: (i) injury to or death of personnel of Purchaser or third parties; (ii) damage to or destruction of (A) property of the DOD furnished to Purchaser or suppliers specifically to implement the IPSO, (B) property of Purchaser (including the item ordered by Purchaser pursuant to this the IPSO, before or after passage of title to Purchaser), or (C) property of third parties; or (iii) patent infringement.

(2) Subject to any express, special, contractual warranties obtained for the Purchaser in accordance with A.2. above, the Purchaser agrees to relieve the contractors and subcontractors of the USG from liability for, and

Figure 35-3. Annex A to International Production Support Order (IPSO) (Continued)

will assume the risk of, loss or damage to: (i) Purchaser's property (including the items procured pursuant to the IPSO, before or after passage of title to Purchaser) and (II) property of the DOD furnished to suppliers specifically to implement the IPSO, to the same extent that the USG would assume for its property if it were procuring for itself the item or items procured pursuant to the IPSO.

D. ACCEPTANCE:

(1) To accept the IPSO, the Purchaser will not later than the expiration date, as set forth therein, return the property signed document, accompanied by such deposit or other payment as may be required by the Terms agreed upon.

(2) It is understood that implementation of the IPSO cannot proceed without a proper acceptance. Failure to comply with Terms and Conditions required for acceptance, as, for example, delay in submission of any required initial deposit or payment of full estimated cost, as the case may be, may require revision or reissue of the IPSO.

(3) Unless a written request for extension is made by the Purchaser and granted in writing by an authorized representative of the Weapon System PMO, the IPSO shall terminate on the expiration date set forth therein.

Figure 35-3. Annex A to International Production Support Order (IPSO) (Continued)

ANNEX B

SPECIAL NOTES AND FINANCIAL ANNEX

1. The USG will furnish PCH & transportation from Red River to WSMR and return of two (2) MLRS AVMRL's from contractor use as GFP on behalf of the purchaser for European production qualification tests and fly to buy at WSMR.
2. The USG will provide for refurbishment and the Purchaser shall pay refurbishment costs of said AVMRL's after use.
3. Spare parts, maintenance and instrumentation costs of the AVMRL's shall be funded by FMS case XX-YYY (PQT).
4. The AVMRL's will be furnished to the contractor pursuant to and the GFP rental costs thereof will be covered under FMS cases XX09YYY and XX-YYZ.
5. The period of performance of this IPSO shall coincide with the periods of performance of FMS cases XX-YYY and XX-YYZ.
6. To assist the purchaser in developing fiscal plans and annual budgets, the USG provides its best estimate of anticipated costs in this IPSO in the following estimated payment schedule:

Payment date	Quarterly	Cumulative
Initial Deposit (NLT Mar 89)		30,002
15 Jun 89	241,860	271,862
15 Sep 89	241,860	513,722
15 Dec 89	241,860	755,582
15 Mar 89	241,860	997,442
Total		997,442

Note: This is an example of how ANNEX B should be constructed. The special notes would be tailored to fit the actual situations of the particular IPSO. The payment schedule would be constructed to show actual payment dated as well as actual quarterly amounts due.

Figure 35-4. Annex B to International Production Support Order (IPSO)

Processing Guide for International Agreements

- (1) OSD/JCS Sponsor: _____
(2) Implementing DoD Component: _____
(3) Subject: _____
(4) Status of Proposed Agreement: _____
(5) Date of Prior Comments: _____
(6) Date Current Version Received: _____

A. Legal Memorandum:

Requirement	Document Page/Paragraph	Remarks
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- (7) Legal Basis for Agreement:
(8) Agreement Category:
(9) Special Pricing Requirements:
(10) Instructions for Disposition of Monies Collected by DoD:
(11) Special Instructions for Recognition of Budget Authority in DoD Appropriations or Funds:
(12) Special Prohibitions on the Use of Appropriated Funds:

B. Fiscal Memorandum:

Requirement	Document Page/Paragraph	Acceptance Yes No
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- (13) Financing Sources Identified for DoD Share:
(14) Proper Disposition of Funds Collected:
(15) Certification that Restrictions on the Use of Appropriated Funds Have Been Adhered to (See item 12):
(16) Proper Valuation of Foreign Services and Materiel:
(17) Proper valuation of DoD Services and Material:
(18) If commercial bank is used, it is a Treasury-designated depository:

C. PROPOSED AGREEMENT:

Requirement	Document Page/Paragraph	Acceptable Yes No
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- (19) Agreement Provision on Fund Availability:
(20) Total Dollar value of Agreement Identified:
(21) DoD share of Agreement Reconciled to Financing Sources (See Item 13.):
(22) Agreement Reflects Prescribed Pricing Rules:
 (a) For DoD Provided Services or Material:
 (b) For DoD Developed Technical Data:
(23) Agreement Reflects Equitableness:
 (a) Financial Basis
 (b) Program Determination
(24) Agreement Provisions for Third Party Sales:
(25) Taxes, Duties and Similar Charges Excluded:
(26) Agreement Provisions for Advance of DoD Funds:
 (a) Agreement Provisions for Disposition of Interest Earned:

Figure 35-5. Processing Guide for International Agreements

- (b) Advance exceeds the paragraph e(7)(c) thresholds:
(27) Billing Instructions in Agreement:

Instructions for Completion of International Agreements
Item Number and Description of Effort Performed

General Information

1. Identify OSD/JCS office that requested DoD Comptroller coordination.
2. Identify the DoD Component that is responsible for implementing the international agreement if signed, for example, Department of the Navy.
3. Set forth full subject of agreement, for example, "Memorandum of Understanding Between the Government of the United States of America Represented by the Department of the Navy, and the Government of the Federal Republic of Germany Represented by the Federal Minister of Defense Concerning Cooperative Production of the Missile Weapon System."
4. Indicate if the agreement is a preliminary draft, proposed for final discussion, or ready for signature. DoD Comptroller coordination is required for any agreement at the final discussion or signature stage.
5. Date of prior comments/concurrences.
6. Date current version received for comment/concurrence.

Legal Memorandum

7. Determine if the legal basis for entering into the agreement is clearly set forth in the legal memorandum. (See para 35-19c(1).)
8. Determine if the legal memorandum identifies the international agreement category set forth in DoD Directive 5530.3. (See para 35-19c(2).) Show the agreement category set forth in paragraph 35-19c(2), above in the remarks column. If the category of agreement is not one of those set forth in paragraph 35-19c(2), briefly describe the purpose of the agreement and the category into which placed.
9. Identify the paragraph of the legal memorandum that sets forth any special pricing requirements. Summarize any special pricing requirements in the "remarks" section. (See para 35-19c(3).) Annotate "N/A" in the "Page/paragraph." column if no special requirement is set forth in the legal memorandum.
10. Identify the paragraph of the legal memorandum that sets forth any special instructions for the disposition of amounts collected by the Department of Defense. Summarize requirements in the "remarks" section. (See paragraph 35-19c(4), above.) Annotate "N/A" in the Page/Paragraph. column if no special requirement is set forth in the legal memorandum.
11. Identify the paragraph of the legal memorandum that sets forth special rules for recognition of budget authority. Summarize any special rules in the "remarks" section. (See para 35-19c(5).) Annotate "N/A" in the Page/paragraph. column if no special requirement is set forth in the legal memorandum.
12. Identify the paragraph of the legal memorandum that identifies any prohibitions on the use of appropriated funds. Summarize requirements in the "remarks" section. (See para 35-19c(6).) Annotate "N/A" in the "Page/Paragraph." column if no special requirement is set forth in the legal memorandum.

Fiscal Memorandum

13. Identify paragraph of the fiscal memorandum that identifies financing sources to be used to implement the international agreement. Check acceptable if financial sources have been identified. (See para 35-19d(1).)
14. Identify paragraph of the fiscal memorandum that provides instructions for disposition of any funds collected. (See para 35-19d(2).)
15. If the legal memorandum cites restrictions on the use of appropriated "funds, identify paragraph of the fiscal memorandum that certifies that these restrictions are adhered to, otherwise annotate with "N/A." (See item 12; above, of the guidelines and paragraph 35-19d(3).)
16. If equitable financing is required and the foreign contribution is in other than currency, identify paragraph of the fiscal memorandum that summarizes the results of a price analysis of the foreign contribution, otherwise annotate with "N/A." (See para 35-19d(a).)

Figure 35-5. Processing Guide for International Agreements (Continued)

17. If equitable financing is required, identify paragraph of the fiscal memorandum that describes the valuation method for DoD provided services and materiel, otherwise annotate with "N/A." (See para 35-19d(5).) If full costing is used, check "yes" in the acceptable column if all chapter 26 pricing elements were considered. If other than full cost pricing is used, cite the legal memorandum paragraph that cites the authority.
18. If a commercial bank is used, the bank should be a US Treasury-designated depository. Identify paragraph of the fiscal memorandum that describes how the bank account is to operate. (See para 35-19d(2)(d).)

Proposed Agreement

19. Identify the paragraph of the proposed agreement that contains the fund availability qualification clause. (See para 35-19e(1).)
20. Identify the paragraph of the proposed agreement that sets forth the total dollar value of agreement. Check acceptable if this amount reconciles to the value identified in the fiscal memorandum. (See para 35-19e(2).)
21. Identify the paragraph of the proposed agreement that sets forth the dollar value of the DoD share of the agreement. Check acceptable if this amount reconciles to the financing sources identified in the fiscal memorandum. (See para 35-19e(2).)
- 22-a. Identify the paragraph that provides for the provision of services, materiels, or financial contribution. Check acceptable if services and materiel are priced in accordance with paragraph 35-19e(3).
- 22-b. Identify the paragraph that provides for the provision of DoD technical data developed prior to implementation of the agreement. Check acceptable if priced in accordance with paragraph 35-19e(3).
- 23-a. If the agreement requires cost sharing on an equitable basis and it is determined from a financial viewpoint, identify the agreement paragraph and attach the worksheet prepared in accordance with paragraph 35-19e(4)(a). Indicate in the acceptable column if the worksheet reflects equitability.
- 23-b. If the agreement is not financially equitable and is justified on a program basis, attach a copy of the program determination. (See para 35-19e(4)(b).)
24. Identify the paragraph that sets forth procedures for third party sales and transfers of technical data developed under the agreement. Check acceptable if there is compliance with paragraph 35-19e(5).
- 25-a. If applicable, identify the paragraph that excludes taxes, duties, and similar charges. Check acceptable if there is compliance with paragraph 35-19e(6).)
- 25-b. If applicable, identify agreement paragraph that provides for advance of DoD funds. Assure that advances meet requirements of paragraph 35-19e(7).
- 26-a. If advances are made, ensure the agreement contains necessary provisions on the disposition of interest earned. (See para 35-19e(7)(b).)
- 26-b. If advance exceeds thresholds in paragraph 35-19e(7)(c), Department of Treasury concurrence must be obtained. Check acceptable if OFC/DOD COMPT Accounting Policy has obtained coordination.
27. If billing is applicable, identify agreement provisions for billing. Check acceptable if there is compliance with paragraph 35-19e(8).)
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Figure 35-5. Processing Guide for International Agreements (Continued)